

Page 1

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 22-10964-mg

4 - - - - - x

5 In the Matter of:

6

7 CELSIUS NETWORK LLC,

8

9 Debtor.

10 - - - - - x

11

12 United States Bankruptcy Court

13 One Bowling Green

14 New York, NY 10004

15

16 August 16, 2022

17 2:04 PM

18

19

20

21 B E F O R E :

22 HON MARTIN GLENN

23 U.S. BANKRUPTCY JUDGE

24

25 ECRO: JONATHAN

Page 2

1 HEARING re Hearing Using Zoom for Government RE: Motion (I)  
2 Authorizing the Debtors To (A) Continue to Operate Their  
3 Cash Management System, (B) Honor Certain Prepetition  
4 Obligations Related Thereto, (C) Maintain Existing Business  
5 Forms, and (D) Continue to Perform Intercompany  
6 Transactions, (II) Granting Superpriority Administrative  
7 Expense Status to Postpetition Intercompany Balances, and  
8 (III) Granting Related Relief. (Doc## 56, 40, 21, 192, 357,  
9 401, 448)

10

11 HEARING re Hearing Using Zoom for Government RE: Debtor's  
12 Motion Seeking Entry of an Order (I) Permitting the Sale of  
13 the Debtors Mined Bitcoin in the Ordinary Course and (II)  
14 Granting Related Relief. (Doc## 187, 192, 357, 371, 372,  
15 400, 428, 448, 453)

16

17 HEARING re Hearing Using Zoom for Government RE: Debtor's  
18 Motion to Approve Procedures for De Minimis Asset  
19 Transactions. (Doc## 189, 192, 357, 400, 409, 429, 448)

20

21 HEARING re Hearing Using Zoom for Government RE: Debtor's  
22 Motion for Entry of an Order (I) Authorizing and Approving  
23 Procedures to Reject, Assume, or Assume and Assign  
24 Executory Contracts and Unexpired Leases and (II) Granting  
25 Related Relief. (Doc## 185, 192, 357, 402, 448, 468, 471)

1 HEARING re Hearing Using Zoom for Government RE: Motion (I)  
2 Authorizing the Debtors to (a) Pay Prepetition Employee  
3 Wages, Salaries, Other Compensation, and Reimbursable  
4 Expenses and (b) Continue Employee Benefits Programs and  
5 (II) Granting Related Relief (Doc## 61, 19, 192, 357, 402,  
6 409, 413, 448).

7

8 HEARING re Hearing Using Zoom for Government RE: Motion (I)  
9 Authorizing the Debtors to Pay Prepetition Claims of Certain  
10 Critical Vendors, Foreign Vendors, 503(B)(9) Claimants,  
11 and Lien Claimants, (II) Granting Administrative Expense  
12 Priority to All Undisputed Obligations on Account of  
13 Outstanding Orders, and (III) Granting Related Relief.  
14 (Doc## 80, 20, 37, 192, 357, 402, 448, 469, 471)

15

16 HEARING re Hearing Using Zoom for Government RE: Motion (I)  
17 Establishing Certain Notice, Case Management, and  
18 Administrative Procedures and (II) Granting Related Relief  
19 (Doc## 63, 15, 192, 470, 471).

20

21

22

23

24

25

1 HEARING re Hearing Using Zoom for Government RE: Motion (I)  
2 Authorizing the Debtors to (A) Pay their Obligations Under  
3 Prepetition Insurance Policies, (B) Continue to Pay Certain  
4 Brokerage Fees, (C) Renew, Supplement, Modify, or Purchase  
5 Insurance Coverage, and (D) Maintain their Surety Bond  
6 Program and (II) Granting Related Relief (Doc## 59,  
7 16, 192, 467, 471).

8

9 HEARING re Final Hearing Using Zoom for Government RE:  
10 Motion (I) Approving Notification and Hearing Procedures for  
11 Certain Transfers of and Declarations of Worthlessness with  
12 Respect to Common Stock and Preferred Stock and (II)  
13 Granting Related Relief (Doc## 58, 39, 5, 192, 409, 463,  
14 471).

15

16 HEARING re Hearing Using Zoom for Government RE: Motion (I)  
17 Authorizing the Payment of Certain Taxes and Fees and (II)  
18 Granting Related Relief (Doc## 62, 17, 192, 466, 471).

19

20 HEARING re Hearing Using Zoom for Government. RE: Motion  
21 Seeking Entry of an Order (I) Approving the Debtors'  
22 Proposed Adequate Assurance of Payment for Future Utility  
23 Services, (Prohibiting Utility Providers from Altering,  
24 Refusing, or Discontinuing Services, etc. (Doc. ##3, 357,  
25 409).

Page 5

1 HEARING re Hearing Using Zoom for Government RE: Debtor's  
2 Motion for Entry of an Order (I) Establishing Procedures for  
3 Interim Compensation and Reimbursement of Expenses for  
4 Retained Professionals and (II) Granting Related Relief.  
5 (Doc## 186, 192, 357, 465, 471)

6

7 HEARING re Hearing Using Zoom for Government RE: Debtors'  
8 Motion Authorizing the Retention and Compensation of  
9 Professionals Utilized in the Ordinary Course of Business  
10 filed by Joshua Sussberg on behalf of Celsius Network LLC.  
11 (Doc # 190, 357, 464, 471)

12

13

14

15

16

17

18

19

20

21

22

23

24

25 Transcribed by: Sonya Ledanski Hyde

1 A P P E A R A N C E S :

2

3 KIRKLAND & ELLIS LLP

4 Attorneys for the Debtor

5 601 Lexington Avenue

6 New York, NY 10022

7

8 BY: JOSHUA SUSSBERG

9

10 KIRKLAND & ELLIS LLP

11 Attorneys for the Debtor

12 300 North LaSalle

13 Chicago, IL 60654

14

15 BY: ROSS KWASTENIET

16

17 WHITE & CASE LLP

18 proposed counsel to the Committee

19 111 South Wacker Drive, Suite 5100

20 Chicago, IL 60606

21

22 BY: GREGORY F. PESCE

23

24

25

1 TOGUT, SEGAL & SEGAL LLP

2 Attorneys for Ad Hoc Group of Custodial Account Holders

3 One Penn Plaza, Suite 3335

4 New York, NY 10119

5

6 BY: KYLE J. ORTIZ

7

8 Troutman Pepper Hamilton Sanders LLP

9 Attorneys for Ad Hoc Group of Withhold Account Holders

10 4000 Town Center, Suite 1800

11 Southfield, MI 48075

12

13 BY: DEBORAH KOVSKY

14

15 UNITED STATES DEPARTMENT OF JUSTICE

16 Attorneys for the U.S. Trustee

17 201 Varick Street, Suite 1006

18 New York, NY 10014

19

20 BY: SHARA CORNELL

21

22 ALSO PRESENT TELEPHONICALLY:

23 OLUWIMIDE ADIGBOLUJA

24 YAFEU AKWETEE

25 EMMANUEL I. ALBINO

1       **YELENA ALEYNIK**  
2       **NELLY CESSISKA ALMEIDA**  
3       **BJRN ANDERSEN**  
4       **JULIEN ARSENAULT**  
5       **JOSEPH MICHAEL AVINO**  
6       **BRIAN BUCHANAN**  
7       **ERIC BAEHR**  
8       **KALPAK BARDE**  
9       **BRIAN BARNES**  
10      **DAVID BARSE**  
11      **MANUEL BASILE**  
12      **MICHAEL BASINGER**  
13      **MARI BATILANDO**  
14      **JASON D BEAIRD**  
15      **CHRIS BECIN**  
16      **MARK BEISSWANGER**  
17      **HUGH BELLAMY**  
18      **JAMES M. BENEDICK**  
19      **BRENTON BENNETT**  
20      **JARNO ERIK BERG**  
21      **QUENTIN BICHON**  
22      **CHERYL BIERBAUM**  
23      **BRIANNA B BILTER**  
24      **JASON B. BINFORD**  
25      **SOMA BISWAS**

1 DAVID R. BOLT  
2 RICHARD D. BOND  
3 SHIREEN BOONE  
4 DUSTIN C. BOROFF  
5 JOSEPH BOTROS  
6 OCTAVE J. BOURGEOIS  
7 JEFFREY BRADIAN  
8 STEPHEN BRALVER  
9 KYLE BRAY  
10 OLGA BRODSKAYA  
11 JOHAN BRONGE  
12 SEQUOIA BROWN  
13 WILLIAM EDWARD BROWN  
14 TODD BUCHMAN  
15 JUAN CRUZ CACERES  
16 RAMSEY CASTANEDA  
17 AMY CASTOR  
18 CAROLYN CHAMBERLAYNE  
19 EDWARD CHAMPIGNY  
20 ERIC CHAN  
21 WILL CHANDLER  
22 RICKIE CHANG  
23 DANIEL CHIU  
24 ELLE CHOI  
25 VINCENT CHUNGWING CHOW

1 JOE CHUNG  
2 GEOFFREY CIRKEL  
3 MARTIN CIZEK  
4 DAVID ALLAN CLARK  
5 DAKEN COLEMAN  
6 AARON COLODNY  
7 JOSEPH COLVIN  
8 PAUL COMBE  
9 KIMBERLY N. COOK  
10 MIA E. COOPER  
11 CARL COTE  
12 CAMERON R. CREWS  
13 COLIN CROSSMAN  
14 OONA CRUSELL  
15 BENJAMIN CULVER  
16 ALISTAIR CUMMINGS  
17 PAUL CUPP  
18 KENNETH E. DARSCHIEWSKI  
19 RYAN DAVIES  
20 STEFFAN DAVIES  
21 JIMMY DE LA PAZ  
22 SALVATORE DE MARIA  
23 THOMAS NICHOLAS DEMOS  
24 ZARYN DENTZEL  
25 DAVID J. DERAN

1 LINDSEY DERENCE  
2 STEVEN L. DEYO  
3 JASON DIBATTISTA  
4 JORIS DIRICKX  
5 JOHN R. DODD  
6 MARILOU DOTSON  
7 STEPHEN N. DREIKOSEN  
8 WESLEY DRIVER  
9 SUMIT DUA  
10 JANELL ECKHARDT  
11 BENJAMIN R. EADES  
12 DANIEL EGGERMANN  
13 GEORGE T. ELKINDS  
14 ANDREAS EMINIDIS  
15 JAMES ENGEL  
16 JEFFREY T. FENTER  
17 LISA FAUCHER  
18 ADAM M. FEINTISCH  
19 NOAH FENNELL  
20 ALEXANDER FERNANDEZ  
21 MANUELA FERRARIO  
22 MICHAEL FERTIK  
23 SCOTT FLAHERTY  
24 FORREST LEIGH FORMSMA  
25 JARED FRANK

1 DEBORAH FRANKEL  
2 DOV FRANKEL  
3 OLIVER FRIEDBERG  
4 LARRY FULTON  
5 EBBA GEBISA  
6 UTSAV GHOSH  
7 ALEX GIANNETTO  
8 BRADLEY GIARDIELLO  
9 JEFFREY R. GLEIT  
10 ANDREW K. GLENN  
11 GRZEGORZ PAWE GLONEK  
12 JACOB K. GOEREE  
13 ANDREW GOLDSTEIN  
14 RYAN GOLDSTEIN  
15 JOO GONALVES  
16 PEDRO GONALVES  
17 RAMON GONZALES  
18 TODD GORDON  
19 UDAY GORREPATI  
20 ANNALEE GOULD  
21 CURTIS GREEN  
22 SEAN GUERRI  
23 JANO GULJA  
24 JIANWEI HU  
25 STEVEN HAEHNICHEN

1 FRODE HAGEN  
2 JESS HALL  
3 THOMAS HALL  
4 OMAR HAMOUDA  
5 TAYLOR HARRISON  
6 JOSEPH HARVEY  
7 MARIA HELIOTI  
8 TAYLER HENDRICKSON  
9 RICHARD HENDRY  
10 JULIE HENRY  
11 MEVIN HERMANS  
12 SAMUEL P. HERSHY  
13 JEREMY HILL  
14 CANDACE L. HILLARD  
15 RICARDO HIRALDO  
16 HUONG HO  
17 DAVID HOLLERITH  
18 PATRICK HOLOHAN  
19 KYLE HOLZHAUER  
20 KRISZTIAN HORVATH  
21 BENEDICT Y. HUI  
22 MEHDAD HUSSAIN  
23 JASON IOVINE  
24 ROBERTO JACOBS  
25 ANDRE JACOBS

1       **KRAIG JAKOBSEN**  
2       **STIG JELLESTAD**  
3       **DAVID JESSOP**  
4       **NICOLE JEW**  
5       **TIMOTHY JOHNSON**  
6       **LEAH JONAS**  
7       **ASIA JONES**  
8       **BRIAN JONES**  
9       **LEIF N. JONES**  
10      **MARIO JOSE**  
11      **MATTHEW T. JOYCE**  
12      **GREG KACZKOWSKI**  
13      **CHEREE KAHRS**  
14      **COLTON KAISER**  
15      **JESS KAPLAN**  
16      **JARED KASNER**  
17      **KONSTANTINOS KATRAOURAS**  
18      **AISLINN KEELY**  
19      **TRAVIS KEENEY**  
20      **MIKAELA KENSINGTON**  
21      **OLGA KHARIF**  
22      **PAUL KING**  
23      **ONDREJ KLUBAL**  
24      **DIETRICH KNAUTH**  
25      **CHRISTOPH KNEDEL**

1 JEREMY FRANCIS KOO  
2 RIKI KOULY  
3 DEBORAH KOVSKY-APAP  
4 ALEXANDER KRAVETS  
5 ADAM P. KRYSKOW  
6 SIMON LECLERCQ  
7 MICHAEL LEON  
8 OLEKSANDR LEONENKO  
9 ISAAC R. LLEWELLYN  
10 JOSEPH LALIA  
11 GREG P. LAMPHEAR  
12 LUIS LANDAS  
13 HANNAH LANG  
14 JOSEPH LANGENBRUNNER  
15 JEAN-PHILIPPE LATREILLE  
16 TYLER NATHANIEL LAYNE  
17 JEREMIAH PAUL LEDWIDGE  
18 MIKE LEGGE  
19 JOSEPH LEHRFELD  
20 MARK S. LEONARD  
21 JOHN LIND  
22 ANDREAS LINDEMAYER  
23 JESSICA LJUSTINA  
24 GINA LOCKWOOD  
25 PATRICK LONEY

1      EDMUNDO LOPEZ  
2      THOMAS LORD  
3      DAVID LOS ARCOS CARCAMO  
4      PATRICK LOVE  
5      MARY LUKOWSKI  
6      JESSE LUND  
7      EDWARD LUO  
8      SERBAN LUPU  
9      LAURA LY  
10     BECKY MADSEN  
11     DAVE MALHORTA  
12     MEAGAN MALONEY  
13     THIRU MANICKAM  
14     KEVIN M. MANUS  
15     MATTHEW W. MARCUS  
16     DANIEL J. MAREE  
17     GINA MARTINY  
18     EMILY MASON  
19     KYLE MASON  
20     AKIKO MATSUDA  
21     ANDREW MATTHEWS  
22     JAMES ALEXANDER GEORGE MATTHEWS  
23     DAVID MAYO  
24     HUGH R. MCCULLOUGH  
25     OLWENT MCNEILL

1 ERIC MENDELSON  
2 BRIAN MENDIETA  
3 KEVIN MEYER  
4 VALERIE MICKLE  
5 RICHARD MINOTT  
6 TIMON MITRAKAS  
7 HUGH MITTON  
8 MARY MONROY  
9 MICHAEL MOWRY  
10 THOMAS MURPHY  
11 BRIAN MURRAY  
12 ANTONIO MUSUMECI  
13 KEN NA  
14 VIK NAGPAL  
15 JASON GRIFFIN NEW  
16 MAN NGUYEN  
17 PAUL NIEHE  
18 DANIEL NIGGEMANN  
19 TONY NIKSICH  
20 DERRICK NNAJI  
21 JEFFERSON NUNN  
22 DAVID P. O'BRIEN  
23 LAURIE-ANN O'CONNOR  
24 TYLER OKADA  
25 WARREN K. OLSEN

1 RICHARD E. OSWALD  
2 PAUL M. PAGE  
3 MICHAEL A. PAINTER  
4 HSIN-CHIEH PAN  
5 LEAH PANTALONE  
6 JORDYN PAPERNY  
7 SEAN PARAHUS  
8 BRENNERO PARDO  
9 MICHAEL J. PARISI  
10 MILIN PATEL  
11 MIREN PATEL  
12 SIDDHARTH PATEL  
13 JOSEPH T. PATTISALL  
14 PETER PATZAK  
15 JOHN D. PENN  
16 THOMAS PERRIN  
17 KHAI PHAM  
18 RICHARD R. PILLIPS  
19 AARON PICHT  
20 GREGORY G. PLOTKO  
21 HANS POLZMACHER  
22 RICKY POON  
23 DAVID PORTER  
24 DONALD POYNTER  
25 CHRISTOPHER A. PROVOST

1 MILES PYWELL  
2 LI QIU  
3 NAZNEN RAHMAN  
4 RAFAEL RAJ  
5 RICHARD CARLOS RAMIREZ  
6 ANDREW RASMUSSEN  
7 RICARTO RATINHO  
8 TIMOTHY REILLY  
9 RICHARD RHINE  
10 ANUBHAV RICHARDS  
11 PETER RIFKIND  
12 AARON RILEY  
13 GRAY RITCHHEY  
14 BRYCE ROBERTS  
15 DAVE ROBICHAUX  
16 SHAYA ROCHESTER  
17 JONATHAN RODRIGUEZ  
18 ROBERTO ROJAS  
19 DEREK ROONEY  
20 KATHARINE M. ROONEY  
21 JASON ROSELL  
22 CLAUDIO ROSSI  
23 ANDREW RUDOLPH  
24 KARL RUPILIUS  
25 KEVIN RUTKOWSKI

1 JEFFREY S. SABIN  
2 RON SABO  
3 DANA SACCHETTI  
4 KAMBIZ SAFAIE  
5 SAM SAFERSTEIN  
6 CAROLINE SALLS  
7 ROBERT SANDOVAL  
8 NAIDU A. SANDRANA  
9 MIKE SANTOS  
10 NICOLA SARTORI VOMIERO  
11 SANDEEP S. SASTRY  
12 RAJIV MANGUBAT SAWHNEY  
13 SCOTT SCHMEIZER  
14 SHAI SCHMIDT  
15 MARC N. SCHWARZ  
16 JAN SDERSTRM  
17 JOSEPH SEATON  
18 RAFFAELE SENESE  
19 FRANCO SERRATORE  
20 DAVID SHIM  
21 MATTAN SHRAGER  
22 KADHIM SHUBBER  
23 JOHN J. SIKORA  
24 CRISTIANO SILVA  
25 MATTHEW W. SILVERMAN

1 ROHAN SINGH  
2 MATTHEW SMART  
3 CHRISTOPHER SMITH  
4 JOSE SMOGLE  
5 ERIC SOPRACASA  
6 EVANGELOS STEFANOU  
7 JASON STONE  
8 PAUL D. STORVICK  
9 STEVE STOYKA  
10 MCKENZIE STRATIGOPOULOS  
11 STEVE STRIKER  
12 KEITH SUCKNO  
13 JOHN SULLIVAN  
14 VINCE SULLIVAN  
15 SINDHU SUNDAR  
16 NIKHIL SURI  
17 ADAM SWINGLE  
18 BRYAN M. SWINK  
19 KEYAN TAJI  
20 JUSTIN TELLES  
21 NATASHA A. TESESE  
22 MICHAEL ALEXANDER THOMPSON  
23 KRISTOF THYS  
24 TIM TILLER  
25 PAWEŁ M. TOMCZYK

1 NICHOLAS TOWERS  
2 ANHMINH TRAN  
3 KHOI TRAN-QUANG  
4 JOSEPH TROVATO  
5 ELVIN R. TURNER JR.  
6 VICTOR UBIERNA DE LAS HERAS  
7 VISHWAS VADNERKAR  
8 RENAUD VALKENBERG  
9 ALLAN ALBERT VAN DER MEER  
10 RICK VAN DIJK  
11 JONATHAN VAN GROUW  
12 JEREMIAH VANDERMARK  
13 JADE VARGAS  
14 DAN VELLON  
15 LUIGI VERBIST  
16 ALAN VETRE  
17 VINCENZO D. VIOLI  
18 SIEU VONG  
19 THOMAS VYHONSKY  
20 CHAD WILSON  
21 STEPHEN WUNDKE  
22 MAARTEN WAGENAAR  
23 PAUL V. WAIS  
24 AL WAL  
25 KEVIN WALDRON

1 BENJAMIN WALKER  
2 CHRISTOPHER D. WALRON  
3 EVANS WANG  
4 NATALIE WELSH  
5 MARSHALL WEST  
6 LISA WEST  
7 JAMES WESTON  
8 HIRAM WILLIAMSON  
9 CHAD R. WILSON  
10 MEGAN WILSON  
11 CARA M. WINTERS  
12 JAN WODNICKI  
13 JULIE WOLF  
14 BENNY WONG  
15 DEANGELO WOOLEY  
16 ELIE JONATHAN WORENKLEIN  
17 CHRISTOPHER WRIGHT  
18 MARK WYLIE  
19 SEAN XUE  
20 MELANIE YANEZ  
21 LILIAN YEILDING  
22 SIMON YEOMAN-TAYLOR  
23 TAK YEUNG  
24 MICHAEL YODLER  
25 AUDREY ZAEBST

1 GREGORY ALAN ZELL

2 ERIC W. ZITZOW

3 EVAN J. ZUCKER

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

## 1 | PROCEEDINGS

2 THE COURT: We have a lot of people who have  
3 appeared this afternoon. We are going to proceed through.  
4 We're using for the most part the Amended Agenda for Second  
5 Day Hearing that was filed by Debtor's counsel, Kirkland &  
6 Ellis.

7                   In addition to that -- and I believe I have agreed  
8                   that they can start with an initial presentation -- last  
9                   night, they filed notice of filing of Second Day Hearing  
10                  Presentation. It's ECF Docket 462. So anybody with access  
11                  to the electronic case filing system can actually see the  
12                  presentation.

13                   After the Debtor's counsel makes its presentation,  
14                   I am going to give the Committee of Unsecured Creditors  
15                   counsel an opportunity to make some preliminary remarks.

16 I also may have some additional preliminary  
17 remarks. I'll save them until after both the Debtor's  
18 counsel and the Committee's counsel have had an opportunity  
19 to speak.

20 So let me make one other point. There are a lot  
21 of people not represented by counsel who are appearing  
22 today. Some with listen-only lines, and some with an  
23 opportunity to speak. If you're not represented by counsel,  
24 at the appropriate time if you wish to speak, you'll see at  
25 the bottom of your screen over to the right a raise hand

1 icon. If you click on that, my courtroom deputy will be  
2 able to identify you as someone who wants to speak.

3 So it's very important -- and I'm sure all of you  
4 will agree -- that this hearing proceed in an orderly  
5 fashion. I want to give everyone an opportunity to speak.  
6 But I reserve the right to cut you off. It's important that  
7 your comments be appropriate to the issue that the Court is  
8 discussing at that time.

9 I know this case has generated a great deal of  
10 interest, and I think it's very important that all  
11 creditors, whether they're represented by counsel or not,  
12 have an opportunity to make their views known. I will say  
13 that for those of you who have access to the docket, you can  
14 see that many of the letters and communications that have  
15 been addressed to the Court have been filed on the case  
16 docket so that everyone associated with the case can see the  
17 issues that people are raising. And I may make some  
18 comments a little bit later. I won't go through all of  
19 those. But I think some of those communications that have  
20 been filed by individual creditors (indiscernible) have  
21 raised important issues that will have to be addressed at  
22 some point in this case.

23 So I just want you to know if you've been filing  
24 letters, if you've been sending letters to the Court, they  
25 are filed in the public docket. The Court and its staff has

1 an opportunity to see it, as do the other parties. So your  
2 thoughts are important to the court. I just want to make  
3 that clear.

4 So, Mr. Sussberg, are you going to begin?

5 MS. SUSSBERG: I am, Your Honor. Good afternoon.  
6 Joshua Sussberg from Kirkland & Ellis on behalf of Celsius.  
7 It's a pleasure to be before Your Honor today.

8 We are going to do a short presentation and  
9 appreciate the Court indulging us, because I think it's  
10 important to help set the stage.

11 As Your Honor commented, this case has drawn a lot  
12 of interest. And we've been fortunate to be involved in  
13 many different types of cases, but I don't think any of us  
14 can remember a case that generated this much interest, both  
15 from the customer community and the media. And I think as a  
16 result, it's really important for us to level set and talk  
17 about what's happened and where we're going.

18 Before I do, one quick comment for everybody.  
19 Customers, Your Honor, and all those listening. The media  
20 coverage on this case and many of the individuals at the  
21 company has been relentless, much of which is inaccurate.  
22 And it would be impossible to respond to every single false  
23 allegation, at the same time trying to restructure this  
24 business.

25 So we at Kirkland, Latham & Watkins

1 (indiscernible) have instructed the management team to take  
2 the repeated punches, not respond, and instead focus on the  
3 task at hand; and that's getting our customers their crypto  
4 back. But no one should assume that silence is in any way  
5 acquiescence.

6 So with that backdrop, Your Honor, I would like if  
7 the Court could share the system with Ms. Jones.

8 CLERK: Ms. Jones is a co-host. She can share the  
9 screen.

10 MS. SUSSBERG: Excellent.

11 THE COURT: Let me just say. As I said already, a  
12 copy of this presentation is filed on the docket. So if  
13 you're interested in obtaining a copy of it, you can do so  
14 by accessing the docket. And it's ECF Docket 462. You'll  
15 find it. Go ahead, Mr. Sussberg.

16 MS. SUSSBERG: Yes, Your Honor. I'm going to  
17 cover, as noted on Slide 2, five topics. One, the committee  
18 formation; two, progress since filing; three, a crypto  
19 market update; four, customer correspondence; and five, the  
20 path forward.

21 On Slide 3, Your Honor, as has noted and as  
22 everyone is aware, the Committee was appointed on July 27th  
23 and it consists of seven members. And each of those members  
24 are customers. And so while it's called an official  
25 committee of creditors, it's really an official committee of

1 customers. Of the identified parties on the slide, two are  
2 institutional investors. The remaining are retail  
3 investors.

4 As you'll see on the right-hand of the page, the  
5 Committee has proposed to retain (indiscernible) at White  
6 and Case, led by Mr. Pesch; at M3 Partners, led by Mr.  
7 Meghji; at Perella Weinberg, led by Kevin Cofsky; and at  
8 Elementus, which is the UCC's crypto forensic specialist.  
9 And that engagement is being led by Mr. Galka.

10 I also wanted to note -- and I'm sure Mr. Pesch  
11 will comment during the course of his presentation -- that  
12 the Committee has established an information website. I'm  
13 sure they will make that known and send that out to  
14 customers. It's actually available at Kroll. And there's a  
15 specific name that we'll get out to everybody where people  
16 can get information and hopefully have many of their  
17 questions answered.

18 On Slide 4, Your Honor, just wanted to note we've  
19 taken a very different approach in this case vis-à-vis the  
20 Committee, because this case is all about the customer. And  
21 the customer committee is our partner here, and we intend to  
22 work very closely with them from day one to the end. And I  
23 think and I hope that Mr. Pesce would agree that we and our  
24 advisor team have been an open book. And thus far, it has  
25 been an incredibly collaborative exercise, including, and

1 I'm pleased to report, resolution of all the objections that  
2 were filed by the Committee.

3 We also had an opportunity to have an initial  
4 meeting with committee members and its advisors together  
5 with the company's advisors on August 11th. And we've  
6 already scheduled a subsequent meeting with the committee  
7 members, advisors, and our management team to discuss our  
8 business plan and the path forward on August 23rd. And  
9 that's a business plan that I will cover, Your Honor,  
10 briefly in a few moments. But it has been underway and  
11 subject to intense discussion and review, and we are pleased  
12 to have an opportunity to try to build consensus and  
13 alignment around that next week with the Committee.

14 I also want to note at Docket 447 we filed a  
15 budget and coin report. And this is in collaboration with  
16 the Creditor's Committee and the United States Trustee in an  
17 effort to have transparency. And as Your Honor can imagine,  
18 we've been dealing with diligence requests from both the  
19 Committee and the U.S. Trustee and other parties. We are  
20 doing everything in our power to respond in kind through  
21 dozens of phone calls and thousands of pages of discovery.

22 On Slide 5, Your Honor, I want to cover a couple  
23 topics so that the Court and our community understand what  
24 we're focused on.

25 The company is looking at multiple DIP financing

1 proposals in various shapes and sizes. And we are working  
2 closely with Centerview and Perella to figure out the best  
3 way to address the company's liquidity shortfall -- sorry,  
4 Your Honor. It's projected in October. And that's  
5 reflected in our recently-filed budget. So in order to  
6 avoid a negative liquidity balance, which would be  
7 detrimental to everybody in this case -- and I don't think  
8 anyone would challenge that -- we're now figuring out and  
9 thinking through ways in which we can get additional capital  
10 to facilitate the restructuring.

11 THE COURT: Ms. Sussberg, you may have seen today  
12 in the ABI News today, which is emailed out every day, one  
13 of the articles is Crypto-lender Celsius on Pace to Run Out  
14 of Cash by October. It obviously picked up on your budget  
15 and coin report and includes some of the information from  
16 it.

17 MR. SUSSBERG: Yes. It just goes to the point  
18 that there are no secrets and this is covered everywhere.  
19 But we, Your Honor, are very, very focused on making sure  
20 that we have liquidity. And I am pleased to report that we  
21 have multiple offers outstanding with several more likely  
22 coming in. And this will be a function of working with the  
23 Committee and coordinating with them to figure out the best  
24 way to finance the resolution of this case.

25 In addition, Your Honor, as far as engagement with

1 stakeholders -- because I've already talked about the go-  
2 forward plan in our August 23rd meeting -- there were two ad  
3 hoc groups that have filed. First is the Ad Hoc Group of  
4 Custodial Account Holders. And as Your Honor will recall,  
5 these are the non-accredited U.S. users post April 2022.  
6 There are no rewards in those accounts. It's approximately  
7 \$180 million. And they're represented by the Togut firm.

8 In addition, there's an Ad Hoc Group of Withhold  
9 Account Holders. We know some of the assets, possibly all  
10 of these assets are for people who were not eligible for  
11 custody accounts or earn accounts and in which states where  
12 we were not licensed. And the total amount in the withhold  
13 accounts is approximately \$14.5 million. That ad hoc  
14 committee is represented by Troutman Pepper. And we are  
15 very focused on coming to a conclusion with the Committee  
16 that would potentially result in us being able to get that  
17 capital back to those (indiscernible).

18 Moving to Slide 6, Your Honor. And this is  
19 important. And it goes directly to the many customer  
20 letters that articulate both derivative and direct potential  
21 claims and causes of action. And Your Honor mentioned that.  
22 And I will cover in a moment that we try to read every one  
23 of these letters and we take the accusations therein, as the  
24 Court does, very seriously. And if there is a there, we are  
25 going to find out and an investigation is being conducted.

1                   Before the Chapter 11 filing, a special committee  
2 was created. That special committee includes two members;  
3 David Barse and Alan Carr. Now, Mr. Barse and Carr are  
4 highly regarded restructuring experts with sterling  
5 reputations. And I can pledge to this Court and everyone  
6 involved that both Mr. Barse and Mr. Carr are 100 percent  
7 focused and completely locked in. And it's important for  
8 everyone to understand exactly what they are focused on.  
9 And so I want to go over the bullets on this slide fairly  
10 carefully.

11                  The special committee was delegated full authority  
12 to direct the company's restructuring, including all aspects  
13 of these cases. So Mr. Barse and Mr. Carr are in charge and  
14 driving the car. They were delegated full authority to  
15 investigate allegations of misconduct involving the company  
16 or its employees and to take remedial action in connection  
17 with that investigation. And that investigation is ongoing.  
18 In fact, in July the special committee tasked Celsius'  
19 outside counsel with conducting that investigation and  
20 coordinating with the advisors to the Official Committee on  
21 that investigation.

22                  While findings or actions by the Special Committee  
23 may be disclosed in due course through the Chapter 11 cases,  
24 Celsius does not intend to comment on specific allegations  
25 or to comment or provide interim updates regarding the

1 Special Committee's investigations work at this time. And  
2 this really, Your Honor, is similar to the point I made  
3 (indiscernible). and as badly as we feel for so many of  
4 these employees that are taking a beating in the public, we  
5 have counseled everyone that we can't do this on an  
6 incremental basis. We need to do our work, and in turn we  
7 will be able to respond.

8 Finally, Your Honor, Celsius has continued to work  
9 cooperatively with U.S. and foreign regulators since the  
10 filing to respond to information requests and inquiries made  
11 as part of a number of non-public law enforcement  
12 investigations. And just so that there's no confusion,  
13 speculation, or surprise, the (indiscernible) investigating  
14 multiple U.S. State and Federal as well as foreign  
15 regulators and their primary focus is on compliance with  
16 state and federal securities laws, although the company has  
17 had dialogue with other agencies. For example, state  
18 lending and money transmitter authorities.

19 Moving to Slide 7, Your Honor. There is so much  
20 misinformation out there regarding the rebound in crypto and  
21 who gets the value associated with the rebound. As you can  
22 see on this slide, crypto, at least the two major coins, BIT  
23 and ETH, have recovered significantly since the petition  
24 date. Twenty-five percent increase for Bitcoin, 82 percent  
25 increase for ETH. And I want to be crystal clear -- and I

1 know Mr. Nash was at the first-day hearing, but there  
2 continues to be confusion and doubt. The business plan and  
3 transitions we are contemplating (indiscernible) all the  
4 value associated with the rising crypto over the last  
5 several weeks directly back in our customers' pockets. The  
6 company is not seeking to dollarize claims on the petition  
7 date and give people back a recovery in fiat. That's just  
8 not what we are going to do.

9 And if we can get alignment with the Committee and  
10 other stakeholders quickly on a business plan, I am hopeful  
11 that we can avoid expensive and unnecessary litigation that  
12 will only benefit professionals to the detriment of our  
13 stakeholders.

14 On Slide 8, Your Honor, I think this is important  
15 and Your Honor focused on it. This is actually outdated  
16 because I believe another 37 letters have been filed  
17 overnight and during the course of the day. I have them  
18 printed on a daily basis because I want all the customers to  
19 understand that the team here at Kirkland is reading those  
20 letters and understanding and trying to get to the bottom of  
21 everything that was articulated in those letters.

22 And I just really want to let people know that we  
23 empathize, we hurt, and we see the pain that so many people  
24 are articulating. And it's frankly demoralizing.

25 Just a reminder for Your Honor, Celsius has 1.7

1 million registered accounts and over 300,000 customers with  
2 account balances over \$100. So while we have approximately  
3 300 letters on the docket, and I am sure more will come as  
4 many did today, I just wanted to set the landscape for the  
5 customer community and those that have voiced their concerns  
6 already.

7 And as far as those concerns are concerned, I  
8 think what we did is break down a couple of themes that  
9 we've seen in these letters and hopefully can try to provide  
10 people with a little bit of understanding as to what we are  
11 going to do and how we are going to do it.

12 Many customers have suggested that all of their  
13 money or all of those -- all of their crypto is lost. And  
14 that is not the case. We and the Committee are focused on  
15 getting as much crypto and as much dollars back to customers  
16 as we possibly can. There are many letters that talk about  
17 treatment of creditors and whether certain creditors in  
18 various accounts should be treated differently or treated  
19 similarly. This is an issue we are looking at very  
20 carefully with the Creditor's Committee and we intend to  
21 treat similarly-situated customers exactly the same as we  
22 are required to under the bankruptcy code.

23 There are lots of comments about Celsius profiting  
24 from the restructuring. That is not true. It's not the  
25 case. The crypto rebound that you saw on the prior page, it

1 is our thesis and the company's business plan that that  
2 rebound and that value goes to our stakeholders, not to  
3 Celsius. And employees and insiders, everybody at the  
4 company, they are going to be treated just like every other  
5 customer. And many of our employees have crypto on the  
6 exchange and in the wallet, and they are going to get the  
7 same treatment.

8 There's a lot of questions about the time that  
9 this restructuring is going to take to resolve. Some people  
10 suggesting years. We will not let this last four years. We  
11 are going to move with all deliberate speed. And I am going  
12 to speak to our timeline momentarily. And even more  
13 important, with our liquidity position, as Your Honor noted,  
14 we need to get alignment quickly with our key stakeholders  
15 to get capital into this business to facilitate an expedited  
16 process. No one is going to (indiscernible) this company  
17 for a long period of time and wait for years for this case  
18 to be resolved.

19 Finally, Your Honor, there are many concerns of  
20 customers. But again, one theme that we gleaned was  
21 customers are concerned about missed deadlines for filing of  
22 claims. There have been no such missed deadlines. Just so  
23 customers appreciate and understand, as I know the Court  
24 does, Celsius will be filing schedules and statements later  
25 this month. Once those schedules and statements are filed,

1 we will set a date by which all customers will be required  
2 to file claims. That will be on notice to the world and to  
3 each of our customers and everyone will have an opportunity  
4 to file a claim. And just as we have been over the last  
5 several weeks, to the extent any customers have questions,  
6 we are available 24/7 and we'll answer them and look forward  
7 to doing so.

8 Finally, Your Honor, our case timeline. And I  
9 just think it's important to keep in mind that our cash  
10 balance, as we've talked about, dips negative in October.  
11 And so the key in this first box is where all the action is.  
12 And we need to reach alignment with the UCC on how we intend  
13 to fund these cases and whether or not the business plan is  
14 supportable because time is of the essence. With no  
15 liquidity as soon as October, this alignment in the next  
16 several weeks is key to all our customers because it will  
17 allow us to maximize value. And once we reach that  
18 alignment, which I am actually confident we will, we will of  
19 course adhere to the statutory requirements and applicable  
20 noticing rules as it relates to a disclosure statement and  
21 plan. But everyone should appreciate that moving with all  
22 deliberate speed is mission-critical. It just has to be  
23 that way, and that's how we intend to move forward.

24 So, Your Honor, I really appreciate the time and  
25 you indulging us. Unless you have any questions for me, I

1 think I will cede the podium to Mr. Pesch.

2 THE COURT: Thank you very much, Mr. Sussberg.

3 Mr. Pesch?

4 MR. PESCE: Thank you, Your Honor. Gregory Pesce,  
5 White and Case. Do you hear me all right?

6 THE COURT: Yes, I can. But let's take down the  
7 share screen. Go ahead, Mr. Pesce.

8 MR. PESCE: Sure. Thank you, Your Honor. For the  
9 record, Gregory Pesce, White and Case, proposed counsel to  
10 the Official Committee of Unsecured Creditors. We  
11 appreciate the opportunity before we turn to the rest of the  
12 hearing, which I am pleased to hear or pleased to report is  
13 fully uncontested as between the Debtors and the Committee.  
14 The Committee would like to provide some context about what  
15 these cases are and what they are about and what they are  
16 not about.

17 Quite naturally, there's been a lot of discussion  
18 about Alex Mashinsky, the founder, about the mining  
19 business, about what Celsius aspired to be, and many other  
20 topics here. These are topics that are important and they  
21 are areas of focus that the Committee will focus the  
22 appropriate attention on in due course.

23 At the same time, it's absolutely critical to  
24 recognize that the events of the last several months have  
25 harmed Celsius' accountholders and unsecured creditors in

1      unprecedented and horrible ways.

2 Therefore, from the Committee's perspective, the  
3 purposes of these cases is to maximize value for Celsius so  
4 it's accountholders can be made whole preferably with an in-  
5 kind recovery of coins, and then move on with their lives.

6 So at the outset of this case, the U.S. Trustee  
7 had a difficult task of forming a Committee that would serve  
8 the interest of accountholders. The Celsius community, as  
9 Mr. Sussberg noted, totals over \$1.7 million individuals and  
10 over \$300,000 have over \$100 in cryptocurrency or other  
11 digital assets on the platform as of the filing date.

1 Ethereum, or some other token or coin that's hosted on the  
2 platform.

3 As Mr. Sussberg noted, the Committee has gotten to  
4 work hiring its advisor roster. I'm sure in the coming  
5 weeks and months, the Court will hear from other partners at  
6 my firm, White and Case, Mr. Meghji's team at M3, Mr.  
7 Cofsky's team at Perella Weinberg, and Elementus, which is a  
8 cutting-edge, boutique blockchain consultancy that we've  
9 engaged to help us with the important task of tracking the  
10 movements of cryptocurrency on the blockchain so we can find  
11 out where the coins went and when and find out if there is a  
12 way to bring them back to Celsius.

13 Let me talk for a moment just about our initial  
14 priorities here. For the last three weeks, the committee  
15 members and their advisors have been inundated with  
16 thousands of emails, phone calls, text messages, Reddit  
17 posts, tweets, and other communications regarding Celsius  
18 and the pause that preceded the petition date that affected  
19 account holders' lives.

20 In an effort to speak directly to our constituency  
21 and to put Celsius on notice about what accountholders do as  
22 the priorities for this bankruptcy, on August 8th, the  
23 Committee filed a mission statement with the Court. We  
24 thought this was important so that everyone would see where  
25 we stand and what we plan to focus on in this case. For

1 today we want to highlight for the Court and for our  
2 constituency just a few things that we view -- that the  
3 Committee views as imperative to drive the process forward.

4 First and foremost, the Committee wants to make  
5 accountholders the focus of these cases. We appreciate  
6 hearing from Mr. Sussberg the focus that Celsius plans to  
7 have on accountholders, and we'll keep them honest in that  
8 regard. To that end, the Committee is laser-focused on  
9 maximizing the value that will be available for those  
10 accountholders at the end of this case.

11 We are pleased to hear that the company is not  
12 focused on dollarization of claims, as I mentioned. From  
13 what we've heard on holders directly by phone, email, social  
14 media, et cetera, and reading the letters, the hundreds of  
15 letters on the docket, receiving an in-kind recover is  
16 absolutely critical. And that is something that the  
17 Committee is focused on working on in this case.

18 As to the form of the ultimate restructuring here  
19 that will maximize value for accountholders, these are early  
20 days and the Debtors are apparently focused on a standalone  
21 reorganization being an option here.

22 The Committee though at this point does not have  
23 its hands tied to any particular outcome. And until  
24 accountholders receive a full recovery, from the Committee's  
25 perspective, all options, be it a sale or sales, or

1 reorganization of some or all of the business, or a  
2 combination, needs to be on the table.

3 Second, the ability to pursue a value-maximizing  
4 restructuring will depend on cold, hard cash. And that's  
5 ironic given that this is a business that is in the bitcoin  
6 and the cryptocurrency industry. But cash is king in  
7 Chapter 11, and the Committee is laser-focused on ensuring  
8 that the company has liquidity to pursue -- to identify,  
9 pursue, and consummate a restructuring alternative.

10 A few days ago at the Committee's request, the  
11 Debtors published a Forecast and Coin Report that  
12 demonstrates the news that you mentioned a few moments ago,  
13 Your Honor, about how the Debtors are poised to run out of  
14 cash by the middle of October.

15 There's little question though that these cases  
16 are going to take more than two months to complete. There's  
17 frankly too much at stake to short-arm this process.

18 The Committee, therefore, plans to scrutinize the  
19 Debtor's headcount and its expenditures to free up cash  
20 where available, and it's for that reason why we were  
21 supportive of the mined bitcoin motion that's going to be  
22 presented to Your Honor today. We think it's important to  
23 have the resources to find the best option available for  
24 accountholders.

25 At the same time, we are cognizant that the cash

1 on hand and cost savings might not be sufficient, and  
2 external financing might be necessary. The Committee is  
3 rolling up its sleeves and figuring out what is the best  
4 possible way to finance this case. Is it a DIP, is it some  
5 other form of financing, and which assets or which parts of  
6 the business provide the credit support for that type of  
7 external financing. But we want the accountholders to hear  
8 this loud and clear; we don't take it lightly how expensive  
9 bankruptcy financing can be. We don't take it lightly how  
10 expensive the professionals can be. The Committee therefore  
11 is laser-focused on making sure that we can cut costs where  
12 we can and obtain the cheapest available financing out  
13 there.

14 Let me talk next just about the other key priority  
15 that we have, which is something Mr. Sussberg also touched  
16 on, which is the investigation. The Committee has already  
17 begun an investigation of Celsius. This is a wide-ranging  
18 endeavor. It covers its founders, its management, its  
19 directors, its funding parties, and all commercial and other  
20 counterparties that have touched Celsius. We will leave no  
21 stone unturned in this effort. We are gearing up to go  
22 across the globe, across the country, across the blockchain  
23 to find claims and causes of action and recovery on those to  
24 make sure that if the coins in-house today are not  
25 sufficient to provide a full recovery, there will be other

1 forms through a litigation recovery that will be able to do  
2 so.

3 This is not a trivial task, especially if the  
4 company pursues a reorganization. Celsius depends on  
5 customer confidence. Customers are not going to entrust  
6 their coins to Celsius if they are not confident that those  
7 coins will be held securely and with due care. And the news  
8 stories today that were discussed a few moments ago, without  
9 getting into the specifics or the truth of any of those  
10 matters raise important questions that any customer would  
11 have to consider before putting their coins with reorganized  
12 Celsius.

13 And this is going to be also important if there  
14 isn't a reorganization. As I mentioned, the litigation  
15 recoveries here could form a significant portion of what  
16 accountholders get at the end of this case.

17 We understand that the Debtors have started their  
18 own investigation. The Committee respectfully believes that  
19 it is the only party that is capable to conduct this  
20 investigation. It's the only party that's accountable only  
21 to the customers that are having their ox gored in this case  
22 and it is the new party on the scene that is going to bring  
23 a fresh perspective and a fresh set of eyes to all that  
24 happened before the commencement of these bankruptcy cases.

25 That said, we look forward to working with the

1 debtors in this regard. We've had some preliminary  
2 conversations I am pleased to report and understand there is  
3 much alignment and expected to be much alignment in terms of  
4 what they provide to us and the information they provide.

5 So I'm sure the Court will be hearing more from us  
6 on this investigation in the coming weeks and months here.

7 THE COURT: I have a couple of questions.

8 MR. PESCE: Yes, sir.

9 THE COURT: I don't expect answers today.

10 MR. PESCE: Yes, sir.

11 THE COURT: Since the Debtor business model was so  
12 heavily dependent on the so-called earn accounts and given  
13 the number of securities regulator investigations as to  
14 whether the Debtors were engaged in the sale of unregistered  
15 securities, I have a question whether -- what's the business  
16 model going forward?

17 MR. PESCE: You know, that is the \$64,000 question  
18 that we are all confronting right now. And while on one  
19 hand the Committee is focused on getting coins back into the  
20 hands of the accountholders, on the other hand we want to  
21 make sure that this doesn't presage another similar episode  
22 for reorganized Celsius or whoever buys the assets. We  
23 think that finding the right solution from a securities and  
24 regulatory standpoint is absolutely paramount here. And  
25 this is something that we are focusing a great amount of

1 time on. I am pleased to report that we've had preliminary  
2 conversations with several regulatory bodies who will be  
3 before your court probably today and in the future, and we  
4 look forward to further dialogue there. Because I think  
5 they share our goal as well, which is making sure that the  
6 accountholders that were caught in the middle here don't  
7 have that experience again. They get their coins back, and  
8 they have it with a safe, prudent, compliant organization on  
9 the back end of this bankruptcy.

10 THE COURT: The other question -- and I guess when  
11 the Debtors take up their mining motion -- maybe I  
12 misunderstood the numbers. But it looked to me that the  
13 mining business is projected to be cashflow negative for  
14 some period of time. Maybe I misunderstood the numbers on  
15 the charts that I saw. But I will certainly -- they are  
16 looking to make a substantial investment in new rigs to  
17 increase its mining business. And I'm going to want to hear  
18 from the Debtors about -- I mean, they get to exercise  
19 business judgement. But on the other hand, I want to be  
20 comfortable that it appears to be an appropriate business  
21 judgement. We'll save that until we get to the mining  
22 motion.

23 MR. PESCE: We agree and echo all those questions  
24 and have been asking the Debtor in the same regard about  
25 those.

1                   THE COURT: Okay. What I would like to hear from  
2 now -- at the start I was told there were two ad hoc  
3 committees. I see Mr. Ortiz at the top of my screen  
4 representing the custody holders. And I do want to hear  
5 from Mr. Ortiz and counsel for the second ad hoc committee  
6 as well. Mr. Ortiz?

7                   MR. ORTIZ: Good afternoon, Your Honor. Kyle  
8 Ortiz with Togut, Segal and Segal on behalf of the Ad Hoc  
9 Group of Custodial Account Holders. I should be less than a  
10 minute, Your Honor.

11                  I just quickly wanted to let Your Honor know that  
12 we are here and representing these uniquely-situated  
13 interests, that we've had productive conversations with the  
14 debtors, and we are hopeful that our presence in this case,  
15 Your Honor, will amount to little more than a brief and non-  
16 controversial cameo because the custodial accounts can  
17 ultimately be unfrozen sooner rather than later.

18                  We understand, as Mr. Sussberg noted, that the  
19 Debtors and the Committee are doing their proper diligence  
20 on these matters, and want to preserve estate and court  
21 resources and give them the appropriate space to do that,  
22 Your Honor, and hopefully come to a happy, consensual  
23 resolution without us needing to force the issue, although  
24 of course we won't hesitate to do that if it comes to that,  
25 Your Honor, in the relatively near term.

1                   So that's all I have for now, Your Honor, unless  
2 you have questions. But we are hopeful you won't have to  
3 hear much from us during this case, but wanted to let you  
4 know that we are here and that there is a considerable  
5 element of the custodial account holders that have organized  
6 and are active.

7                   THE COURT: I guess what I would say is without  
8 prejudicing the issues, the issues with respect to the  
9 custodial accounts, is the property in those accounts  
10 property of the estate. If not, I expect that it will be  
11 returned. As I understand it, there was \$180 million  
12 approximately in the custodial accounts. So it's a  
13 substantial amount of money. Quite a few of the letters  
14 that have been docketed are from custodial account holders.  
15 So I am going to want -- I am going to want a sooner rather  
16 than later resolution. But I also have some questions about  
17 the custodial accounts.

18                   As I understand it, it wasn't until April 2022  
19 that Celsius set up the custodial accounts. So it's quite  
20 recent. And while I guess it was something like 58,000  
21 account holders with custodial accounts, I am certainly  
22 going to want to know whether there are insiders and  
23 employees with custodial accounts and whether any of them  
24 were able to transfer assets, crypto assets from other  
25 Celsius accounts into the custodial accounts and what did

1       they know at the time they made the transfer. Were they  
2       contemplating that business was trending negative and the  
3       best way for them individually to protect the value of their  
4       accounts was to transfer assets into custodial accounts? I  
5       won't go further with it than that for now.

6               But I guess the thing that caught my attention the  
7       most was if I'm reading the papers correctly, it wasn't  
8       until April 2022 when Celsius set up the custodial accounts.  
9       And I understand that the earn accounts, the terms of use  
10      provide that you transfer all right, title, and interest to  
11      Celsius when you deposit your crypto assets. We'll see how  
12      that unfolds in the case. There's certainly been a lot of  
13      letters that dealt with that issue. But I certainly would  
14      like to see the issue about the custodial accountholders  
15      resolved sooner rather than later.

16               I think at the first day hearing, Debtor's counsel  
17      made some comment about possibly initiating an adversary  
18      proceeding for a declaratory judgement. I am not  
19      foreclosing that, but it may be more expeditious if  
20      necessary if it can't be resolved consensually for a lift  
21      stay motion on the grounds that this is not property of the  
22      estate. So I would like to see an expeditious resolution of  
23      the issue of custodial accounts, but I also want to be  
24      satisfied that this wasn't a vehicle for insiders to protect  
25      their assets while customers at large could not. Let me

1 stop there.

2 MR. SUSSBERG: All noted and understood, Your  
3 Honor.

4 THE COURT: Just a second, Mr. Sussberg. Let me  
5 give the other -- as I understand it, the other group of  
6 account holders, the Ad Hoc Group of Withheld Accounts,  
7 Troutman Pepper represents them. Do they want to say  
8 anything at this point?

9 MS. KOVSKY: Yes, Your Honor. Good afternoon.  
10 This is Deb Kovsky at Troutman Pepper for the Ad Hoc Group  
11 of Withhold Account Holders. And I will echo what Mr. Ortiz  
12 said. We hope we will be little more than a blip in this  
13 case. We are a much smaller group, as Mr. Sussberg alluded.  
14 There is only about \$14.5 million worth of crypto assets in  
15 the withhold accounts. And these were effectively accounts  
16 that were created almost by default in those states where  
17 the Debtor wasn't licensed so that there couldn't be a  
18 custody account. And this is where coins essentially  
19 landed, whether intentionally or inadvertently, when  
20 individual depositors tried to withdraw them from the  
21 Celsius platform altogether.

22 To the best of our knowledge and understanding,  
23 there are no terms and conditions that govern these  
24 accounts. They don't appear to be part of the Debtor's  
25 balance sheet. They really even -- they're not really in

1 the Celsius ecosystem and we believe that a prompt  
2 resolution along the lines that Your Honor suggested would  
3 be appropriate for this very small group of sort of outlier  
4 depositors.

5 THE COURT: All right. Thank you very much, Ms.  
6 Kovsky.

7 All right, who wants to move forward for the  
8 Debtors?

9 MR. KWASTENIET: Good afternoon, Your Honor. Ross  
10 Kwasteniet from Kirkland in the Chicago office. Can you  
11 hear me okay?

12 THE COURT: Yes, I can.

13 MR. KWASTENIET: Great. Your Honor, I did want to  
14 just circle back very briefly before we proceed with the  
15 agenda if that's all right with Your Honor, with just a few  
16 more comments about the custody and the withheld accounts.

17 So it is our understanding that in anticipation of  
18 some of the very regulatory concerns that Your Honor noted  
19 earlier with respect to the earn account and whether it was  
20 securities, there is a notable settlement in the crypto  
21 industry not involving Celsius, but involving a competitor  
22 of Celsius where they had a similar earn product. And they  
23 agreed in an agreement with the SEC to limit that product to  
24 U.S. accredited investors. So any U.S. not accredited  
25 investor would not be eligible to receive that earn or sort

1 of the interest rate or the earn component.

2 And in anticipation of the SEC taking a similar  
3 position -- and we were in -- I don't know if they were  
4 preliminary or advanced. I don't know the exact status of  
5 the conversations. But we were in conversations with the  
6 SEC about this issue. And the company preemptively decided  
7 in April to not allow U.S. unaccredited investors to open  
8 new accounts in the earn program. And we put them in the  
9 custody program and we also amended the terms of use in  
10 connection with that to provide the customers who went into  
11 the custody program, title to their crypto stayed with them.  
12 So that's very different than the terms of use that applied  
13 to the earn program. And we further provided that Celsius  
14 could not use, sell, pledge, hypothecate, rehypothecate, the  
15 custody assets without the customers' consent. And in fact,  
16 we held those assets to the side. We effectively created a  
17 matched quote. For every deposit that came in that we  
18 determined was not eligible and should be a custody deposit,  
19 we maintain those crypto assets.

20 And so the company is in discussions with the  
21 Committee about honoring the terms of use, because that  
22 really is the backbone of the agreement between the parties.  
23 And assuming we can get buy-in, I would expect that we would  
24 be filing a motion in the near-term, or you may see a lift  
25 stay motion for the return of those assets.

1           One of the reasons that I had entered an order  
2       requiring the Debtors to file each version of its terms of  
3       use since 2018 was really precisely for that point; to trace  
4       through what if any changes were made over time. The most  
5       recent terms of use had all sorts of qualifiers, making  
6       clear that the Debtor was not making -- was not saying how  
7       this issue would ultimately be resolve, let me put it that  
8       way. But that was one of the things that triggered my  
9       interest in seeing all of the versions of the terms of use.  
10      Little did I know that there were going to be more than  
11      1,100 pages of them --

12           MR. KWASTENIET: Little did we know, Your Honor.  
13      It ended up being a pretty significant project for a lot of  
14      people who worked 24 hours a day through the weekend to get  
15      that done.

16           THE COURT: I thought I was being generous in  
17      giving about a week for them to get them.

18           MR. KWASTENIET: I had urgent requests to ask you  
19      for more time on that, Your Honor. But I am happy to say we  
20      did get it done. And it's an important document and we do  
21      think it is -- you know, a lot of people have recognized  
22      there's novel legal issues. You know, what is crypto?  
23      We're not a registered securities broker, we're not a  
24      licensed commodity broker. It doesn't fall neatly into --  
25      we're not a licensed bank. What are we? Well, at the

1 foundation, the nature of the relationship is governed by  
2 the terms of use. And there will be a lot more to come on  
3 that about how customers accept that and click on that and  
4 click -- the validity of clickwrap agreements under New York  
5 law, which have been recognized and have stood up. So those  
6 are the kind of issues that we are very deep in terms of  
7 analyzing, and we plan to come before you in the near  
8 future. Because, to Your Honor's point, if we are holding  
9 on to something that is not an estate asset, we would like  
10 to get it back to the customers ASAP and well in advance of  
11 a plan. So that is something that is high on our list, and  
12 I think you'll be seeing more on that topic in the near  
13 future.

14 And the same with the withheld account. It's  
15 similar but slightly different. These are assets that were  
16 initially just not eligible to be put in any Celsius  
17 service. So we sort of held them on the side for people to  
18 pick up. And then they got caught up and we filed. And so  
19 now we need a court order to return those. But they are  
20 assets that were effectively ineligible. It may have been  
21 possible, Your Honor, and we are looking into it, for people  
22 who were in the earn program to transfer into the custody  
23 program or transfer into the withhold program. So we are  
24 looking into that and it's one of the things the Committee  
25 has asked us about, and that's one of the things we'll have

1 to bottom out. But suffice it to say the analysis on that  
2 is well underway and it's one of our top priorities.

3 THE COURT: Thank you.

4 MR. KWASTENIET: All right, Your Honor. Unless  
5 you have any further questions, I am happy to jump into the  
6 agenda for today, which at the outset I would just like to  
7 echo Mr. Sussberg's thanks for all the many parties,  
8 including the U.S. Trustee, the UCC's advisors, our ad hoc  
9 equity holders, and also many others for collaborating with  
10 us to get us to a point where I believe that we are  
11 presenting a more or less fully consensual set of orders  
12 today. Obviously if people have issues or comments or  
13 tweaks, they'll speak for themselves. So I am certainly not  
14 prejudging anybody's opportunity. But as I stand here  
15 today, my understanding is that we have made changes to the  
16 orders that address all the objections and concerns that  
17 were raised.

18 And so with Your Honor's permission, I will jump  
19 into Agenda Item 1, which is the Debtor's --

20 THE COURT: Let me just say that obviously the  
21 principal parties that have been engaged in resolving issues  
22 about the second day motions have been the Debtors, the  
23 Committee, the U.S. Trustee. If there are individual  
24 creditors who wish to be heard by the Court, please use the  
25 raise hand function and I will recognize you. I just ask

1 that any comments you make -- and I certainly will be happy  
2 to hear from you -- ought to be pertinent to the specific  
3 motions that are being heard.

4 Before you begin, Andre, I see your raised hand.  
5 We haven't even started on the agenda of the motions, but  
6 let me hear from you briefly. Go ahead. Unmute and go  
7 ahead and speak. You need to unmute. Go ahead.

8 MR. JACOBS: Thank you for the opportunity and  
9 thank you for allowing us to participate. I am obviously a  
10 foreign investor in Celsius with international accounts  
11 across the world. I am a resident in South Africa and I am  
12 very concerned about the fact that it might be prejudicial  
13 to us not being able to appear physically as we would like  
14 to have done. But we are concerned as a whole group of  
15 investors in Celsius and other parts of the world that our  
16 needs and our interests will also be looked after. And  
17 that's my only comment.

18 THE COURT: Let me say, Andre, that at the present  
19 time, we are only appearing remotely on Zoom For Government.  
20 It may well be that we will return to the courtroom, but to  
21 the fullest extent that it's possible, I will arrange for  
22 the hearings to be what we refer to as hybrid hearings so  
23 that lawyers and others appearing in my courtroom can do so  
24 but people such as yourself in South Africa or wherever in  
25 the world will have an opportunity to appear and see exactly

1 what's happening and an opportunity to address the court.

2 So at this stage, everybody is appearing remotely.

3 And hopefully depending on the COVID-19 pandemic, we will,

4 beginning to do in other matters, return to the courtroom,

5 but doing so with hybrid hearings.

6 Before we get into the agenda, there's one other

7 hand raised. I will give -- oh, there are two now. But

8 Mario Foti, I will give you a chance. And then Colin

9 Crossman. But then we're going to move on with the agenda.

10 First, Mario Foti, if you would unmute and I will

11 give you chance to speak. Go ahead, Mr. Foti, you've

12 unmuted. Mr. Foti, your line has been unmuted. So if you

13 want to address the Court, please go ahead. All right. For

14 whatever reason, Mr. Foti has not addressed the Court even

15 though his line is unmuted.

16 Colin Crossman, if you would unmute your line, I

17 will give you a chance to speak.

18 MR. CROSSMAN: Thank you, Your Honor. This is

19 Colin Crossman. I currently do not represent anyone.

20 However, I did want to put down a marker that members of

21 Celsius who have outstanding loans with collateral are

22 working to form an ad hoc committee as well. So I wanted to

23 make you aware of that fact so that when we do file

24 something, you see it coming. Thank you.

25 THE COURT: Thank you very much, Mr. Crossman.

1 Another person, Mike. Don't have a last name. If you would  
2 unmute. Go ahead. You can speak.

3 MIKE: Judge, thank you so much for your time. My  
4 question is also along the lines of loans.

5 One of the things that's been unclear to us as  
6 loan holders is the collateral that's held with Celsius, is  
7 that part of the custodial group or some other  
8 classification?

9 THE COURT: It's a fair question, and I'm sure  
10 that will be addressed. I am sure that Mr. Ortiz on behalf  
11 of the Ad Hoc Custodial Group can try and address it. The  
12 UCC's counsel, and perhaps the Debtor as well. But I  
13 understand from a lot of the letters that I've received, a  
14 lot of those letters have been written by people who had  
15 loans with crypto assets as collateral, and that has been a  
16 major concern of many people. In some of the letters that  
17 I've reviewed, that specifically is the major issue that  
18 people have raised. So that's not on the agenda for today  
19 for any of the motions that are before us. But that  
20 certainly is I think an important issue that's going to have  
21 to be addressed.

22 Ramsey G., if you want to unmute and briefly make  
23 your comments, go ahead.

24 MR. CASTANEDA: Hello, Judge. Thank you for your  
25 time. I appreciate it. Something I wanted to address was -

1 - you guys were just addressing it, but the custody  
2 accounts. Pretty much in the terms of service, it says that  
3 the title of the assets in the custodial accounts stay with  
4 the customer and they do not transfer to Celsius. So what  
5 I'm failing to understand is why is the four percent of  
6 funds that Celsius has for custodial accounts not being able  
7 to be withdrawn?

8 THE COURT: It may be four percent, but it's \$180  
9 million. By my take, that's a lot of money. And I think  
10 that is an issue that Mr. Ortiz on behalf of the counsel for  
11 the Ad Hoc Group of Custody Holders is going to be front and  
12 center for them. It is certainly an issue I am very aware  
13 of and focused on. And hopefully it will be able to be  
14 resolved one way or another fairly quickly. Thank you very  
15 much.

16 MR. CASTANEDA: I just had one more question or  
17 one more thing I wanted to address.

18 THE COURT: Go ahead.

19 MR. CASTANEDA: So for the mining operation, I am  
20 actually a miner myself. It's pretty hard to be profitable  
21 in this market --

22 THE COURT: Ramsey, when we get to the mining  
23 motion -- I've already raised the issue for committee's  
24 counsel. And certainly the Debtor will have to address it.  
25 Because of the mining motion, whether -- because it looked

1 to me that that was -- for the near future at least was  
2 going to be cashflow negative. So it's certainly an issue  
3 that I've focused on as well. But let's move on.

4 MR. CASTANEDA: Okay.

5 THE COURT: Mr. Bralver, go ahead. If you'd like  
6 to unmute and speak, go ahead.

7 MR. BRALVER: Hello, Your Honor. My name is  
8 Stephen Bralver. Forgive me. I'm kind of nervous because I  
9 feel as though my family's security is really based on this  
10 question I'm about to ask you.

11 I am unrepresented by any counsel simply because I  
12 can't afford it. I just wanted to know if you have read my  
13 letter that I wrote to you. I believe it was around 142.

14 I feel very misled by this company, who  
15 continually told us that they had enough money in case there  
16 was a run on the bank and they were more than liquid. I  
17 have less than \$500 in my checking account right now, and I  
18 can't afford to keep a roof over my family's head and put  
19 food on the table for them. I was using Celsius as  
20 basically a checking and savings account. And this was  
21 money that I rely on. And week in and week out Mr.  
22 Mashinsky said we are more than secure. And now my money is  
23 frozen and I don't know how I'm going to be able to take  
24 care of my family.

25 I never was an investor in this company, and I

1       wasn't even an investor in crypto. The majority of my money  
2       was U.S. Dollar that was just sitting there, collecting  
3       interest to keep up with inflation. And I am asking if  
4       there is some way that you could please release my funds.  
5       If not all of them, a good part of them so I can continue to  
6       pay for the necessary expenses just so I can provide for my  
7       family.

8                   THE COURT: Mr. Bralver, the issues you are  
9       raising about alleged representations that Mr. Mashinsky  
10      made has figured pretty heavily. If you've been following  
11      the letters that appear on the docket, you're not alone in  
12      raising those same issues, assurances that the Debtor would  
13      have sufficient funding.

14                  So I think that the Committee, which says it is  
15      undertaking an investigation, I'm sure that is something  
16      that the Committee will be examining. At this stage, there  
17      really is not something for the Court to deal with other  
18      than to say that the concerns you are raising, many people  
19      have raised. And it would typically be the unsecured  
20      creditors' committee in a case like this that would be  
21      focusing on the issue.

22                  You can certainly reach out to counsel for the  
23      Unsecured Creditors' Committee if you have specific  
24      questions that you wanted to raise. But I am happy to have  
25      you appear. Okay?

1                   MR. BRALVER: Thank you. One thing really quick  
2 if you don't mind.

3                   THE COURT: Go ahead.

4                   MR. BRALVER: I just wanted to say I was never an  
5 investor in Celsius. Mashinsky said we are better than  
6 banks, we're safer than banks, and they're just holding our  
7 money. And now that (indiscernible) happened, they've taken  
8 our money. And I feel as though I am a victim. And I feel  
9 what they've done is crooked. And I need to take care of my  
10 family. And I was misled. And I hope that you can  
11 understand where I'm coming from. I have less than \$500 in  
12 my checking account and \$50,000 in Celsius.

13                  THE COURT: Mr. Bralver, there is nothing before  
14 the Court other than for me hearing your concern, hearing --  
15 having the Creditors' Committee specifically be able to hear  
16 your concern, I assure you that your letter and all the  
17 other letters that have been filed have been looked at by  
18 the Court, have been looked at by counsel of the Creditors'  
19 Committee. Mr. Sussberg indicated that he and his  
20 colleagues have looked at them as well. So it's not going  
21 unnoticed. All right?

22                  (indiscernible), if you want to unmute and give  
23 your comments, I will give you this one last chance.

24                  UNIDENTIFIED SPEAKER: Thank you, Your Honor. Can  
25 you hear me?

1 THE COURT: Yes. Go ahead.

2 UNIDENTIFIED SPEAKER: Thank you, sir. Just an  
3 unsecured creditor representing myself.

4 So I just had one quick question. When Celsius  
5 switched to accredited-investor-only status to be eligible  
6 for earn accounts back in April, did the SEC give specific  
7 permission for Celsius to grandfather all non-accredited  
8 investors? And if that has been touched on, I apologize.

9 THE COURT: It hasn't been touched on, but it is  
10 not something I can answer. I think the issue -- I raised  
11 questions about their business model in light of the issues  
12 that have been raised by various securities regulators. The  
13 Texas securities regulator has appeared today and has filed  
14 objections to at least one of the motions and then filed a  
15 supplement that was joined -- their objection was joined in  
16 by many other state securities regulators. I think at the  
17 first day hearing, counsel to the Debtor disclosed that this  
18 has been a subject raised by the securities and exchange  
19 commission as well. I don't have any answers for you. I am  
20 sure it is on the radar screen of a lot of the lawyers and  
21 people involved in the case.

22 UNIDENTIFIED SPEAKER: Okay.

23 THE COURT: Mr. Trovato?

24 MR. TROVATO: Hello, Your Honor. I am here with  
25 my girlfriend, who seems to be in a very unique situation.

1 She had an earn account on Celsius prior to the recent  
2 change in terms and conditions, these most recent terms and  
3 conditions where the accredited investor aspect was  
4 established. She is not an accredited investor. She has  
5 never accepted the terms and conditions, and in fact  
6 followed a prompt on the app to decline the terms and  
7 conditions and close the account. She was also added to a  
8 list of others in this situation and she was then prompted  
9 to send a video of her intent to decline and close the  
10 account and provided a crypto address to receive her coins.  
11 Once Celsius filed for Chapter 11, she received an email  
12 saying they would be unable to withdraw her funds. And I  
13 believe that her crypto should not belong in the general  
14 earn accounts and should be considered an outliner and  
15 possibly a withhold account or a custody account. And any  
16 rewards that were earned during this period of time can be  
17 returned to Celsius if need be. And we have not had any  
18 clarity on this issue from Celsius.

19 THE COURT: All right. I'm sure that it's an  
20 issue that the Creditors' Committee will want to explore.  
21 It's not an issue that can be resolved today.

22 Mr. (indiscernible)? I'm sorry if I am  
23 mispronouncing your name. If you want to unmute and speak,  
24 go ahead.

25 UNIDENTIFIED SPEAKER: That was a pretty good

1 pronunciation of the last name there.

2 So I don't want to beat the dead horse here  
3 because I know a lot of these questions have touched on the  
4 custody issue. I think there is one other smaller group of  
5 users that had pending withdrawal transactions prior to the  
6 formal pausing of withdraws on June 12th. So these are  
7 people that chose to withdraw on June 11th or June 12th  
8 before roughly ten p.m. We were told by Celsius that these  
9 transactions had been initiated and were processing, and  
10 then they were kind of unilaterally cancelled after the  
11 fact.

12 So while we do have the custody ad hoc group  
13 advocating for us, I don't know if anybody is specifically  
14 advocating for users that had already processed these  
15 withdrawals and how that might be addressed.

16 THE COURT: All right. What I would urge you to  
17 do is communicate with counsel to the Creditors' Committee  
18 and the Ad Hoc Committee. And this issue may well come up  
19 in the case in another time. It's not on the agenda for  
20 today. I appreciate you raising the issue. I understand  
21 it's a valid concern. Okay?

22 UNIDENTIFIED SPEAKER: Thank you for your time.

23 THE COURT: Matthew Marcus, if you want to unmute  
24 and speak, go ahead.

25 MR. MARCUS: Thank you, Your Honor. Unrepresented

1 creditor here as well. Not to belabor this point either,  
2 but I wanted to speak about the earned service specifically.  
3 In correspondence with Celsius, it seems as though they are  
4 operating this service specially as though it's business as  
5 usual. They are requiring us to continue to service the  
6 loan with interest payments that can only be made via U.S.  
7 wire when not letting us know if the collateral is even  
8 there in the background. And furthermore, they are not  
9 giving any information as to what happens to these loans  
10 upon maturity date. If the interest payments are not made,  
11 is the loan closed and the collateral capped? I feel -- I  
12 don't know if this is possible, but is it possible that the  
13 Court could issue an order that they no longer continue this  
14 service as though it's business as usual? Because it's  
15 really not. Thank you.

16 THE COURT: Mr. Marcus, the issue that you raise  
17 has been raised by other creditors as well. There were  
18 filed letters on the docket. I have in front of me -- I  
19 won't mention the name of the author, but ECF Docket 478,  
20 which is an August 5th, 2022 letter, four pages, raises a  
21 number of issues. That's among them. So I think the  
22 Creditors' Committee and the Debtor are certainly aware of  
23 the issue you are raising. I've seen in many of the letters  
24 that have been filed similar concerns expressed where people  
25 had loans and what happened after the petition date. Could

1       they get their -- satisfy the loan, get their collateral  
2       released. So I think everybody is aware of that issue.  
3       That's all I can really say for today. There's no  
4       (indiscernible).

5                    MR. KWASTENIET: Your Honor, if I may. Ross  
6       Kwasteniet again. I could give a brief update on this.

7                    THE COURT: Please go ahead.

8                    MR. KWASTENIET: We are well aware of the issues  
9       around the loan portfolio and we have approximately 23,000  
10      customers who took out loans against their Celsius  
11      positions. We call those the retail borrowers. And they  
12      were owed -- or they owed the company a little over \$400  
13      million in aggregate as of the filing date. Prepetition --

14                  THE COURT: What was the value of their collateral  
15      at the date when the loans outstanding were \$400 million? I  
16      mean, I think that's what's really on the mind of a lot of  
17      the creditors, where they had collateral far in excess of  
18      the amount of the outstanding loans. They couldn't satisfy  
19      the loan and get their collateral back.

20                  MR. KWASTENIET: Understood, Your Honor. And the  
21      collateral as I understand it generally came in through the  
22      earn or the borrow program. If it came in through the earn  
23      program and then was used as collateral for a loan, it was  
24      no longer eligible to earn rewards while it was sort of set  
25      aside as collateral.

1           These loans typically as I understand it were  
2           well-collateralized or covered. You know, 50 percent or so  
3           as a surplus cushion. But what the company has done is  
4           we've frozen these accounts so we are no longer demanding  
5           margin call. We thought that that was an appropriate change  
6           to make given that customers can't withdraw coins from the  
7           plan, so we're no longer demanding that they put new coins  
8           onto the platform to protect those loans. And we've also  
9           suspended any liquidation of those positions. So it used to  
10           be that when -- if a margin call was made and not honored,  
11           then before the collateral dissipated too far, the company  
12           would close the loan and offset, if you will, against the  
13           collateral that was posted.

14           So we do have a few gating items. And we've  
15           started conversations with the Committee. Those include is  
16           the collateral truly collateral. If it came in through the  
17           earn program under terms of use that said that those assets  
18           became Celsius assets, then is it really truly collateral?  
19           The other question is do they have a valid contractual right  
20           of setoff that survives a 553 scrutiny. And that is also  
21           something that we are analyzing. And we have not come to a  
22           firm position yet. It's going to be an important issue for  
23           the Committee to weigh in on.

24           And I will note, Your Honor, I believe that  
25           several of the committee members themselves have taken

1 loans. So there are people on the Committee with an active  
2 interest in this question. It is important, and we are  
3 focused on it, but we don't have a management-endorsed,  
4 board-approved proposed resolution on this. But it is  
5 something we are working on.

6 THE COURT: All right. And I appreciate that.  
7 And I know that's not an issue for today's agenda. I wanted  
8 to give people an opportunity to express their views.

9 I am going to call on one last -- I see two people  
10 with a hand raised. But the last one I'm going to call on  
11 is Joseph Trovato. And then we are going to move to the  
12 agenda.

13 Mr. Trovato, if you want to unmute and --

14 MR. TROVATO: Actually, I already spoke. My hand  
15 was up by accident and I did not notice. I apologize for  
16 that.

17 THE COURT: Okay. Someone -- Mr. Cam or Ms. Cam,  
18 your hand is raised. You can be the last one I'm going to  
19 allow to speak.

20 UNIDENTIFIED SPEAKER: Wonderful. Thank you,  
21 Judge. Can you hear me?

22 THE COURT: Yes. Go ahead.

23 UNIDENTIFIED SPEAKER: Great. Yeah. I just  
24 wanted to address Attorney Sussberg's comment about  
25 transparency that Celsius has demonstrated. They have

1 disclosed their balance sheets. But just as a snapshot,  
2 they've paid out about \$1.2 billion in depositor awards and  
3 they have a hole in their balance sheet that exceeds those  
4 payouts. So it seems likely that they are either very bad  
5 at earning a return or that there could be some sort of  
6 fraud that's occurred here. So it could be very helpful if  
7 they release profit and loss statements that we can actually  
8 analyze their ability to earn money. Otherwise, we're going  
9 to just keep this suspected Ponzi scheme going and further  
10 harm those of us that are impacted.

11 THE COURT: Let me address your point. The  
12 Creditors' Committee, which has White and Case as its  
13 counsel and a number of financial advisors and other  
14 advisors, I am sure they are going to be doing exactly what  
15 you are asking, that they're going to be scrutinizing.  
16 Because their mission in life is the protection of the  
17 creditors. And I am sure they will be diligent about  
18 pursuing it.

19 So let's now move to the agenda of the motions  
20 that are pending before the Court. Okay? let's go.

21 MR. KWASTENIET: Thank you, Your Honor. Starting  
22 with at the top with Agenda Item 1. Again, thanks to a lot  
23 of hard work and cooperation from all the stakeholders, I  
24 believe I am going to be proposing a consensual cash  
25 collateral order.

1 I will note that this is a -- we've styled it as a  
2 second interim order for a few reasons. One, we still have  
3 not come to ground with the U.S. Trustee's office on a final  
4 345 waiver. That is a topic we're going to be in ongoing  
5 discussions with. We have agreed that the waiver period  
6 runs through 55 days after the petition date subject to  
7 further agreement between us and the U.S. Trustee or a  
8 further request by the company to extend. But those  
9 discussions are ongoing and therefore we thought not  
10 appropriate to seek final order today.

11 And the other item, Your Honor, is that we are,  
12 frankly, still working with the Committee on the form of and  
13 substance of reporting obligations going forward. Your  
14 Honor has noted that we filed a budget and coin report. We  
15 thought that that was important. We filed that at Docket  
16 447 in order to give the community more information. This  
17 is not a case -- in a lot of cases where there is DIP  
18 financing or where there is a use of cash collateral, all  
19 parties will see a budget and there will be a little bit  
20 more information out there in terms of required DIP or cash  
21 collateral disclosures, we realized there was a deficit  
22 here. We also realized that people were very, very focused  
23 on what crypto assets we held and some detail around them.  
24 And so that was the genesis that we discussed with the U.S.  
25 Trustee and the Committee as an initial way -- I'm sure not

1 the only way or the final way, but an initial way of us  
2 getting some important information out to the broader  
3 community. And between now and our next hearing, which is  
4 10:00 a.m. September 1st, Your Honor, where we hope to  
5 present a final cash collateral order, we will continue to  
6 work with the parties to refine the form and substance of  
7 disclosures. And that was one of the main issues that we're  
8 still collaborating with them on, Your Honor.

9 But with Your Honor's permission, I would turn to  
10 something that we filed just this morning. It's Docket 479.  
11 That includes a clean and a redline to the first interim  
12 order showing the various changes that we've agreed to with  
13 the Office of the U.S. Trustee and the Committee and certain  
14 others. And I can highlight those changes and then would  
15 welcome anybody else's comments. But I believe that this  
16 reflects an agreed form of order. And again, a form of  
17 order that carries us a few more weeks and everybody  
18 reserves rights on it with respect to the final order.

19 THE COURT: Let me hear briefly from the Committee  
20 and then from the U.S. Trustee. I may have a couple of  
21 questions as well. Anybody from the U.S. Trustee?

22 MR. PESCE: It's Gregory Pesce at White and Case.  
23 Would you like us to go first or the Trustee?

24 THE COURT: Go ahead, Mr. Pesce. You're speaking,  
25 so go ahead.

1                   MR. PESCE: So we were going to speak about this  
2 order just generally just to give a few high-level points  
3 about how we approach all of these. And then my partner,  
4 Mr. Wofford, was going to say something when the mined coin  
5 motion comes up. I don't think it's necessary for us to  
6 speak about everyone, but first, we appreciate working with  
7 the Debtor to resolve all of these comments consensually in  
8 approaching -- and since we've had so many people dial in  
9 and we're getting so many questions, I just want to make a  
10 few points about how we approach this. Because we have  
11 received a lot of questions from the community about why  
12 we're standing down so to speak on our objections here.

13                   The Committee received a great deal of benefits by  
14 resolving these objections. We've been promised now to  
15 receive a significant amount of information and reporting  
16 that will let us get visibility into how the business  
17 operated, which is one of our key concerns.

18                   Second, we are getting in certain ways consent  
19 rights which will let us control how certain expenditures  
20 are made, which is important for us so that we have some  
21 control over sensitive pieces of the business.

22                   And finally, at least with respect to the cash  
23 management order, there is now a budgeting and a forecasting  
24 process. We expect that that process will get further  
25 refined and the budget will get further refined as we

1 approach September 1st.

2 So these concepts sort of carried across all of  
3 the orders in terms of (indiscernible) and preserving the  
4 status quo. So in light of all the questions we received  
5 from the community, we wanted to put that on the record.  
6 And then we are happy to address other specific questions as  
7 we go on. But those are kind of meta points that go across  
8 all of them. Thank you, Your Honor.

9 THE COURT: Thank you, Mr. Pesce.

10 Ms. Cornell or Mr. Masumoto, do you want to  
11 briefly address the cash management?

12 MS. CORNELL: Thank you, Your Honor. This is  
13 Shara Cornell on behalf of the Office of the United States  
14 Trustee.

15 First, Your Honor, since this is the first time I  
16 am speaking today, I just wanted to draw Your Honor's  
17 attention to Docket Entry 459 that we filed yesterday with  
18 instructions for the 341 meeting for any interested party.

19 THE COURT: Thank you.

20 MS. CORNELL: You're welcome. Counsel for the  
21 Debtor is correct. We did reach an agreement for this  
22 bridge order until the next hearing. We are hoping that in  
23 this interim time period we receive additional information  
24 regarding the Debtor's cash accounts and the budget, the  
25 same -- in the same vein that the Creditors' Committee just

1 mentioned. But for the time being, this bridge order is  
2 consensual. Thank you.

3 THE COURT: All right. Let me raise a couple of  
4 questions. And this really has to do with intercompany  
5 transfers to non-debtors. And Mr. Kwasteniet, maybe you  
6 could just briefly explain to me how that is being  
7 monitored, what information is being provided to the  
8 Committee and to the U.S. Trustee with respect to transfers  
9 to non-debtors.

10 MR. KWASTENIET: Yes, Your Honor, absolutely. And  
11 there are some important restrictions in that regard. First  
12 and foremost, there remains a flat prohibition on the  
13 intercompany transfer of cryptocurrency assets from debtors  
14 to non-debtors. There was a discussion, and I suspect there  
15 will be discussions around whether it may be appropriate at  
16 some point in time to transfer crypto to a non-debtor  
17 affiliate that we refer to as GK8, which we believe is the  
18 leading storage platform. But obviously the Committee has a  
19 lot of work to do, including with their experts at  
20 Elementus, to evaluate that and get (indiscernible). The  
21 crypto is staying in the same places it's been staying since  
22 our last hearing. And there will be no transfers of crypto  
23 from debtors to non-debtors.

24 There will be -- I believe this order permits up  
25 to \$245,000 in cash being transferred from Debtors to non-

1 debtors to support critical business functions where we  
2 have, you know, some back office and other services that are  
3 rendered by affiliates outside the U.S., primarily in  
4 Cypress. Your Honor, we did have this concept also in the  
5 first day order. I believe the amount was in the \$300,000  
6 range. So because we are extending for several more weeks,  
7 this is an incremental \$245,000 to continue to fund. But  
8 that's a cap and we can't go beyond that. And we've also  
9 committed to do monthly reporting to the U.S. Trustee and to  
10 the Committee summarizing all intercompany transactions.  
11 Because we recognize that there may yet be issues in the  
12 case as to who has claims against what particular debtors,  
13 and so we are also proposing and committing to track and  
14 trace and to afford super priority administrative status to  
15 intercompany transfers. And these are all things that we  
16 can revisit down the road to the extent it becomes relevant  
17 that one group has claims here, another group has claims  
18 there. We are tracking and tracing and reporting on  
19 everything related to intercompany, Your Honor.

20 THE COURT: All right. Let me make one other  
21 brief comment. To the extent that the Debtor and the  
22 Committee have agreed on certain consent rights for the  
23 Committee, I will approve the order that includes that. But  
24 no one should think that my approval will carry forward in  
25 all instances of consent rights.

1           I would call to your attention the decision in In  
2        re UNR Industries Inc., 30 B.R. 609 (Bankr. 1983).  
3        Specifically if you look at Pages -- at Page 612. I think  
4        the consent -- I think the consensual agreement on consent  
5        rights can be constructive and helpful. But that is not  
6        necessarily the uniform law with respect to whether or not  
7        it's an appropriate restriction on a Debtor's business  
8        judgment. So I will approve it here, but one shouldn't  
9        think that that automatically means that any time consent  
10       rights are at issue, that that will be the Court's ruling.

11           So this is approved on an interim basis, second  
12        interim basis.

13           MR. KWASTENIET: Thank you very much, Your Honor.  
14        That brings me to the next item, which is the Bitcoin Sale  
15        Motion.

16           Your Honor, we received a number of different  
17        objections to this motion, and we've receive official  
18        signoff on the revised proposed form of order from a few.  
19        And I believe that we have addressed the concerns through  
20        revisions to the order. But obviously the parties are  
21        present and can speak for themselves.

22           But Your Honor, basically pursuant to this motion,  
23        the Debtors seek the authority to sell bitcoin that's  
24        generated by the mining debtor to sell it for cash in arm's  
25        length third party transactions and to use the cash proceeds

1 of those sales to fund the expenses of the mining debtor. I  
2 will say at the outset, Your Honor, you astutely note that  
3 the mining debtor is cashflow negative in the near-term.  
4 And I will represent to Your Honor that that is because the  
5 mining debtor is in the process of building out and  
6 finishing its business. It's finishing construction of its  
7 own housing facilities in Texas and it's facilitating taking  
8 delivery of equipment and making deposits for power  
9 contracts. So we are still in the capital-intensive part of  
10 the business. And also, importantly, we don't yet have all  
11 of the rigs, the mining rigs. These are essentially  
12 computers that are used to do the bitcoin mining and  
13 verification transactions. We don't have all of those  
14 deployed yet.

15 And so, we're getting the business stood up. We  
16 still have a lot of capital expenditure. But there is a  
17 plan that once the capital expenditures are done, the mining  
18 rigs are all operational, that the company becomes very  
19 accretive.

20 And Your Honor, I would also note that, you know,  
21 with in the last, you know, six to eight months, when market  
22 conditions were very different, admittedly, the company was  
23 preparing and planning for, and it even drafted an S1, to  
24 IPO the mining business. And the bankers were talking  
25 about, you know, potentially multibillion dollar valuations

1 for this business. And so it's -- timing is everything and  
2 we missed it on that one, Your Honor. But that said, you  
3 know, essentially, where we are, our perspective is, having  
4 committed so much already, in the development of the mining  
5 business, and starting construction and ordering the rigs,  
6 that it makes sense to go the last mine. We're essentially  
7 on the -- we're inside the 10-yard line, if you will, Your  
8 Honor, in terms of completing this business. And if we  
9 don't complete the business --

10 AUTOMATED VOICE: Join the meeting.

11 MR. KWASTENIET: -- we think we risk destroying a  
12 lot of value. So, it just -- we're sort of pot committed,  
13 if you're a poker player. It just makes sense to see this  
14 through and complete it. Even though we are, like capital  
15 users, in the next few months, until things turn around.

16 And one of the reporting obligations, Your Honor,  
17 that we've agreed to, with the Committee, and we'll share  
18 with the US Trustee, is a more detailed mining-specific  
19 business plan, so that people can understand, you know, what  
20 that looks like and when it's going to turn around; what are  
21 the variables that go into the profitability; its power  
22 price, and it's the price of bitcoin. Not surprisingly,  
23 those are two of the biggest drivers of whether this  
24 business is successful. But we believe it is a core asset  
25 and we've had a number of conversations with the US Trustee

1 and the Committee. And this is one of those things, you  
2 know, that between now and our next hearing, I think we're  
3 going to be providing a lot more diligence and information.  
4 And it's also something that, if people think is  
5 inappropriate, or shouldn't be included in a budget, it's  
6 something that people will have the opportunity to revisit  
7 with us and with Your Honor as needed.

8 THE COURT: Let me ask you this: The proposal for  
9 selling mined bitcoin for cash, is that a change from the  
10 company's business model previously?

11 MR. KWASTENIET: Your Honor, as I understand it,  
12 in the leadup to the petition date, the mining business  
13 really kicked off last year, and generated a little over  
14 3,000 bitcoin. As I understand it, substantially all of  
15 those were sold to raise cash to use in its business.  
16 Because when you're buying computer rigs and signing power  
17 contracts and you're constructing buildings, you've got a  
18 company that has a lot of cash-based expenditures. The  
19 employees get paid in cash, you know, your vendors.

20 And so, and similarly this year, Your Honor, in  
21 the leadup to the filing, the company had generated a few  
22 thousand more bitcoin. And my understanding is,  
23 substantially, all of those were sold for cash, and the cash  
24 proceed were plowed back into the business. And that's  
25 exactly what we're proposing to do. We've got a number of

1       objections, Your Honor, and I just want to be very clear  
2       about this. We got objections that we shouldn't be able to  
3       use the bitcoin that we mined, to resume speculative  
4       trading, investment activity, loaning it, pledging it, you  
5       know, etc. All we are proposing to do is, arm's length,  
6       third-party sales.

7               Now, we do have to, for the time being, until we  
8       can set up our own mining trading account, we have to send  
9       it up to the parent --

10              AUTOMATED VOICE: Join the meeting.

11              MR. KWASTENIET: -- (indiscernible) who has the  
12       trading business. They will trade it, and then send the  
13       cash proceeds back down. And we've agreed, in the proposed  
14       form of order, super priority claims and obligations to  
15       returns, and deemed held in trust, to make sure that there's  
16       not any value leakage in that transfer.

17              But Your Honor, the company has told me that this  
18       is entirely consistent with what they did with substantially  
19       all the bitcoin that they mined before the petition date.

20              THE COURT: Ms. Milligan, do you want to be heard?

21              MS. MILLIGAN: Yes, Your Honor. Can you hear me?

22              THE COURT: Yes, I can.

23              MS. MILLIGAN: Good afternoon, Your Honor, Layla  
24       Milligan, with the Texas Attorney General's Office,  
25       appearing on behalf of the State, Texas State Securities

1 Board. Thank you, Your Honor, for allowing me to appear  
2 before you today.

3 The Securities Board did file an objection to the  
4 Debtor's motion, at Docket number 371, in a supplemental  
5 exhibit at Docket number 453.

6 Our concerns with the motion and the proposed  
7 order, at the time that we filed our objection, were largely  
8 with the ambiguity of the pleading and the order, in that it  
9 appeared that the Debtor was seeking to, or seeking  
10 permission to begin investing in hypothecating, and pledging  
11 the bitcoin as it did prepetition, which was of great  
12 concern to the Texas Securities Board, as well as the  
13 Securities --

14 THE COURT: You've got lots of (indiscernible)  
15 securities regulators to sign on in your supplement.

16 MS. MILLIGAN: Yes, Your Honor. There was grave  
17 concern in the Debtor beginning its investment processes  
18 again, as it did prepetition. In the interim, we've had  
19 multiple conversations with the counsel for Debtor, counsel  
20 for the Committee, the US Trustee. And we greatly  
21 appreciate your willingness to share information. And we  
22 did see that a revised order was filed, I believe, at Docket  
23 number 474. And that order does --

24 AUTOMATED VOICE: Join the meeting.

25 MS. MILLIGAN: -- lay out that -- it removes the

1 references to investment hypothecation pledging.

2 MAN 1: Hold for (indiscernible).

3 MS. MILLIGAN: It's cash only, and it is specific  
4 as to how the Debtors would use those funds, and provides  
5 oversight by the Committee and the US Trustee, that we agree  
6 are appropriate.

7 So, in light of the changes that have been made to  
8 that order, that we have seen on the Docket, we believe our  
9 concerns have been addressed.

10 THE COURT: Thank you very much, Ms. Milligan.

11 Ms. Cornell, do you want to --?

12 MS. CORNELL: Thank you, Your Honor, this is Shara  
13 Cornell on behalf of the Office of the United States Trustee  
14 again.

15 While we appreciate the Debtor's efforts, since  
16 our objection was filed, our office is still not in  
17 agreement on this motion. As of today, we still do not know  
18 what expenses are being paid or what bitcoin is being sold.  
19 And we believe it's premature to approve anything until we  
20 have transparency into the bitcoin mining and the cost for  
21 running it.

22 We need more information so we can make a reasoned  
23 determination. We don't have an opinion one way or another  
24 yet, because we don't have that information yet. And it's -

25 -

1                   THE COURT: (indiscernible) ask you this. This  
2 concerns the sale of bitcoin. They have (indiscernible)  
3 inventory and they're going to be creating additional  
4 bitcoin through the mining operation. If they're selling  
5 bitcoin for cash, does it matter whether it's bitcoin that's  
6 in inventory already or newly mined? Isn't it fungible?

7                   MS. CORNELL: In theory, yes. But the use of the  
8 proceeds to fund the bitcoin mining, which is what the  
9 Debtors intents are, requires more information. We know  
10 what the Debtors expect to generate, but we have no idea how  
11 much it's going to cost to generate any of that. And at  
12 this --

13                  THE COURT: Part of my concern about it, it  
14 appeared to me that this business was going to be, of  
15 mining, was going to be cashflow negative for some period of  
16 time in the future, but ... Are you challenging the Debtor's  
17 business judgment to pursue the mining business? Because  
18 that's what it sounds like.

19                  MS. CORNELL: No, Your Honor.

20                  THE COURT: They've made a business judgment that  
21 despite the short-term cashflow negative nature of the  
22 business, that longer term, this is important to their  
23 business operations. And they make the business judgment,  
24 that this is how they want to proceed. They've addressed  
25 the concerns that the US Trustee has raised, and that the

1 Texas security regulators have raised, to assure that  
2 they're not resuming other investment activities, that the  
3 bitcoin would be sold only for cash. So, you seem to be  
4 challenging their business judgment as to pursuing this  
5 business of mining and sale of bitcoin; whether it's bitcoin  
6 coming from inventory or newly mined bitcoin.

7 MS. CORNELL: You know, we're not -- that's not  
8 our intention. And I think our objection shows what we're  
9 really concerned with in this case is transparency. And we  
10 don't have that type of visibility in some mining  
11 operations. For example, we have no understanding, at this  
12 point in time, what the Debtor's utility-related costs are  
13 for running these mining rigs. We're just looking for some  
14 more information. And in that same vein, at this point in  
15 time, our office is seriously considering the appointment of  
16 an examiner to address these rampant transparency issues,  
17 with this motion and with others.

18 The Debtor mentioned that they will eventually  
19 file or provide a detailed mining plan. Then maybe what we  
20 need to do is put this motion on hold until we have more  
21 information, so that all the parties can better understand  
22 what the Debtor's intentions are, and what the Debtor's  
23 business goals can actually accomplish with the use of this  
24 motion.

25 THE COURT: Thank you, Ms. Cornell. Does anybody

1       else --

2                    MR. WOFFORD: Your Honor --

3                    THE COURT: No, stop. Does anybody else wish to  
4 be heard in opposition to the motion.

5                    MR. WOFFORD: Your Honor, not in opposition, but  
6 merely from the Committee, when you are ready.

7                    THE COURT: Go ahead, please, go ahead.

8                    MR. WOFFORD: Your Honor, Keith Wofford from White  
9 & Case on behalf of the Committee.

10                  The Committee has not made an ultimate  
11 determination or, frankly, any determination on the ultimate  
12 viability of the mining business. It is a focus of our  
13 broader continuing investigation, and we have substantial  
14 diligence requests, as the Debtor's counsel noted, with  
15 respect to, particularly, some of the issues which have been  
16 raised: the incremental capital expense being undertaken in  
17 Texas; the additional miners being purchased.

18                  But the fact of the matter, you know, is that,  
19 regardless of the outcome of that inquiry, with respect to  
20 which the Committee's mind remains completely open, there is  
21 a 41,000 mining rig operation currently installed and in  
22 progress, that has expenses.

23                  THE COURT: But not all of those rigs are  
24 operational, as I understand it.

25                  MR. WOFFORD: The 41,000, Your Honor, I believe

1 are. But then they have an incremental 40,000 that are not.  
2 But in any event, Your Honor, you rightly note that there  
3 are questions to be answered, and the Committee had the same  
4 concerns that were expressed about the relatively ambiguous  
5 term, 'monetization,' that appeared in the original order.  
6 And through the means that have been described already, Your  
7 Honor, and I won't rehash them, we feel we've adequately  
8 addressed them, at least in terms of preserving the status  
9 quo, while allowing the incremental liquidity to be made  
10 available; rather than minding -- effectively, putting out  
11 cash expenses, and remaining (indiscernible) bitcoin and,  
12 effectively, speculating in bitcoin, with respect to funding  
13 the cost of the mining operation.

14 THE COURT: Thank you, Mr. Wofford. Ramsey G.,  
15 I'll give you a brief chance to address it. You've got your  
16 hand raised.

17 MR. CASTANEDA: Hey, can you hear me?

18 THE COURT: Yes, I can. Go ahead.

19 MR. CASTANEDA: So, I wanted to address -- I mean,  
20 also as well, you guys's concerns about the mining business.  
21 It doesn't, to me, it doesn't make sense to keep expanding,  
22 to keep adding more rigs, and then to liquidate the bitcoin  
23 into cash to fund the business. It doesn't seem like it's  
24 in the interest of creditors, because this seems like a  
25 stretch, to be able to get back -- what is it, billions of

1       dollars, to the customers, for this, for just doing this  
2       mining business.

3               You know, we didn't sign up to be part of a mining  
4       business. You know what I mean? We signed up to be part of  
5       a exchange. And this kind of deviates completely away from  
6       the point of what we were trying to do.

7               But as a fellow miner, I just don't see it being  
8       very profitable in the long run, and being able to make  
9       creditors whole, or even, you know, a fraction of that.

10              THE COURT: All right, thank you. Mr. Kwasteniet,  
11       do you want to briefly reply?

12              MR. KWASTENIET: I do, briefly, Your Honor.

13              THE COURT: You just need to identify yourself  
14       each time you speak to the record.

15              MR. KWASTENIET: Yes, thank you. Ross Kwasteniet  
16       from Kirkland & Ellis on behalf of the Debtors. Again, Your  
17       Honor, we believe, whether people agree with it or don't  
18       agree with it, it was our business judgment, at a point in  
19       time when we had significantly more assets under management,  
20       to make a, what we thought, was a diversifying investment in  
21       a mining business. Given the drop in crypto, the run on the  
22       bank, the mining business looks like an outsized part of our  
23       portfolio, but it was a much smaller part back when we  
24       entered into it.

25              Again, from our perspective, we would be burning

1 the value of our investment effectively, were we to stop  
2 now, while we're like mid construction on a facility in  
3 Texas, and we're mid taking delivery of the final rigs. And  
4 so, we completely accept that parties will need to evaluate  
5 what's the best long-term, you know, use of this asset.

6 Again, not long ago, we were talking to bankers  
7 about an IPO at a multibillion-dollar valuation, and it was  
8 looking like a genius operation, and could, in fact, be a  
9 crown jewel. And could, in fact, once we get to the break-  
10 even and generative phase of the business, after we pay the  
11 startup costs, we think that this could be an asset that  
12 provides material coin into the system, that helps make up  
13 for the shortfall; all topics that we want to discuss to  
14 discuss with the creditors. And all we're talking about  
15 right now is the limited authority to continue to do what we  
16 did prepetition, which is to sell the bitcoin that we  
17 generate, to fund the expenses. And we will be providing  
18 more detailed financial information and budgeting and  
19 forecasting, to the Committee, to the US Trustee.

20 And I do submit, Your Honor, that the US Trustee  
21 is effectively, you know, calling into question our business  
22 judgment. Which, I suppose, if we're doing something that  
23 is so manifestly wasteful, you know, that may be a  
24 perspective. But the Committee, who is the economic party  
25 and interest here, does not have -- they're reserving

1 rights, but they're not opposing this motion. And I think  
2 that they understand that, our rationale for wanting to  
3 continue.

4 THE COURT: I've heard enough on this. So,  
5 pending before the Court is the Celsius motion for the Court  
6 to approve, on a post-petition basis, in the ordinary course  
7 of business, the sale, the mining and sale of bitcoin. The  
8 motion was filed as ECF Docket number 187. A revised order  
9 has been submitted. I think that there has been important  
10 negotiation with the Committee.

11 Ms. Cornell, on behalf of the US Trustee, has  
12 certainly expressed the concerns that the US Trustee has  
13 about this. Ramsey G. has likewise expressed his concern.

14 At bottom, I think this is a business judgment  
15 decision. It may turn out to be very wrong. But we will  
16 see.

17 AUTOMATED VOICE: Join the meeting.

18 THE COURT: And I'm going to go ahead and grant  
19 the motion on an interim -- well, grant the motion as  
20 revised. I need to mute for a second.

21 (PAUSE)

22 THE COURT: So, that motion is granted and the  
23 order will be in. All right, let's go onto the next.

24 MR. KWASTENIET: Thank you, Your Honor. I'm going  
25 to cede the podium to my colleague, Ms. Heide Hockberger,

1 who is going to take up the next item on the agenda.

2 MS. HOCKBERGER: Good afternoon, Your Honor, Heide  
3 of Kirkland & Ellis on behalf of the Debtors.

4 The next item on the agenda is the Debtors de  
5 minimis asset sales procedures motion, which is filed at  
6 Docket number 189. This motion requests approval for  
7 procedures for the Debtors to sell or abandon certain de  
8 minimis assets without the need for a separate motion and  
9 court approval. The purpose of this motion is to allow the  
10 Debtors to officially monetize de minimis assets to bring  
11 more cash into the system, similar to the takeaway motion,  
12 and use that cash for their general operating expenses.

13 The US Trustee and the Unsecured Creditors  
14 Committee filed objections requesting certain revisions to  
15 the proposed order, and certain shareholders of Celsius  
16 Network Limited provided information comments as well.

17 So, following lengthy discussions with these  
18 parties, we believe we resolved all objections via the  
19 revised order that we filed at Docket number 499.

20 I apologize that these discussions took so long  
21 that we filed the revised order right before the hearing.  
22 So, I expect that Your Honor has not --

23 THE COURT: I guarantee you I have not looked at  
24 the revised order.

25 MS. HOCKBERGER: I'm happy to summarize those

1 changes or walk through the redline, whatever Your Honor  
2 approves.

3 THE COURT: Let me raise -- let me put my issue.

4 I don't know whether this was an issue with any of the  
5 objectors. But I have approved similar orders before, never  
6 with a \$1 million floor, before anybody can object or slow  
7 down or prevent a sale. That's a lot of money. I don't  
8 know whether there's been any change on that score.

9 I've, you know, what I've done in the past is,  
10 included it in a very short objection, you know, notice and  
11 objection procedure. And if you don't receive any  
12 objections, fine, you go ahead and sell. But if you receive  
13 an objection, you can't go ahead and sell it without  
14 approval of the Court. But that \$1 million, that's a lot of  
15 money.

16 MS. HOCKBERGER: Understood, Your Honor. And that  
17 was one of the objections that various parties raised. And  
18 we've reduced that floor to \$300,000. So, instead of a, for  
19 this kind of two-tier -- with \$1 million, then \$5 million,  
20 and now it's \$300,000 and \$4 million; so, under \$300,000 both  
21 sales. We provide notice to the various notice parties, as  
22 specified in the revised order. And then parties, both  
23 parties have an opportunity to raise any objections, and  
24 then we can resolve those or bring them to Your Honor.

25 And then, between \$300,000 and \$4 million, those

1 sales require filing and notice on the docket that gives  
2 parties the opportunity to object. And then, if there's no  
3 objection, we can continue monetizing that, proceeding that  
4 sale. But if there are any objections that would, again, be  
5 either resolved or brought before Your Honor.

6 THE COURT: All right. Anything else you want to  
7 add before I turn to the Committee and the US Trustee?

8 MS. HOCKBERGER: Just, happy to answer any  
9 questions or walk through any other of the changes,  
10 summarize --

11 THE COURT: Well, I raised what my concern was.

12 MS. HOCKBERGER: Got it.

13 THE COURT: And so, let me turn to the Committee.

14 MS. HOCKBERGER: Sure.

15 MR. PESCE: We have no objection to -- I'm sorry,  
16 Gregory Pesce, White & Case, for the record. We have no  
17 objection to the approval of the motion as modified, and we  
18 thank the Debtor working with us to resolve our issues.

19 THE COURT: Thank you, Mr. Pesce. Ms. Cornell?

20 MS. CORNELL: Thank you again, Your Honor. Shara  
21 Cornell on behalf of the Office of the United States  
22 Trustee.

23 This order does not address our concerns, Your  
24 Honor. Since we filed our objection, we have received  
25 additional information regarding the de minimis asset motion

1 that creates more questions and more confusion amongst, I  
2 think, anybody that had that information. And it goes back  
3 to what I was discussing earlier. There's a lack of  
4 transparency here.

5 The motion -- and we mention it in our objection --  
6 - makes it sound as though the Debtor is selling office  
7 furniture or similar --

8 THE COURT: I didn't understand that they were  
9 selling office furniture --

10 MS. CORNELL: Or similar hard-type assets that  
11 they no longer need. And one of our questions in our  
12 objection had to do whether or not that might be mining  
13 equipment. Well, we were informed that it was not, in fact,  
14 mining equipment. But what they're actually looking to sell  
15 are equities and stocks. And that, in our opinion, is not a  
16 de minimis asset, that should be sold through a de minimis  
17 asset motion.

18 First, it wasn't clearly, it wasn't made clear in  
19 the motion at all, that those were the assets that were  
20 being sought to be sold. And those types of assets should  
21 be made clear and they should be pursuant to a sale motion.

22 THE COURT: Well, what stock are they talking --  
23 did you find out what stock they're talking about?

24 MS. CORNELL: No. We received some intelligence  
25 about the extent of the equities. But the book value of the

1       equities that they provided, just to my office -- I'm not  
2       sure what else was provided to other parties, is not a de  
3       minimis asset. You know, we're talking millions of dollars'  
4       worth of assets here.

5               THE COURT: Also, if the threshold is set lower,  
6       they have to provide notice. And you have an opportunity to  
7       object.

8               MS. CORNELL: No, and I understand that, Your  
9       Honor. I just don't think that what they're actually  
10      seeking to be sold was described in the motion. We saw  
11      itemized up to \$210 million, in our, you know, information  
12      received from the Debtors, and that just was not in the  
13      motion whatsoever. And I don't believe that there's been  
14      transparency into what the Debtor's true intentions are with  
15      respect to what they're deeming to be de minimis assets.

16              THE COURT: Ms. Hockberger, can you address the  
17      issue of what assets the Debtor was thinking about selling?

18              MS. HOCKBERGER: Yes, Your Honor, absolutely. So,  
19      it's -- that's correct, it's equity interest in certain  
20      other kind of strategic investments, other crypto-related  
21      companies. Some if it is notes or bonds that the company  
22      holds that are issued by other, generally, crypto companies.

23              And Ms. Cornell, if you're able to send us what  
24      your further questions are, we'd appreciate that, and we can  
25      get you that information.

1                   THE COURT: Let me tell you what I'm going to do.  
2 I'm not resolving this motion today. You need to confer  
3 further with the US Trustee and the Committee. I'm  
4 concerned -- certainly, I had no inkling that the Debtor was  
5 proposing to sell millions of dollars of equity or notes,  
6 investments, in other crypto businesses. Those are not what  
7 I would ordinarily consider to be de minimis assets. So, I  
8 want some better definition.

9                   And to the extent that you can't resolve as to  
10 what assets can be sold, then it absolutely has to be on  
11 notice. So, the notice has to provide clear notice of what  
12 it is the Debtor is proposing to sell, and the US Trustee  
13 and the Committee, or anybody else if they wish, can file  
14 objections and I'll hear them if you can't resolve them.  
15 But I'm concerned by the issues that Ms. Cornell has raised.  
16 So, I'm not resolving this motion until you try and work it  
17 out further with the US Trustee.

18                   MS. HOCKBERGER: Understood, Your Honor. Thank  
19 you.

20                   THE COURT: Thank you.

21                   MS. HOCKBERGER: So, if it's all right with Your  
22 Honor, I'd like to skip the next item on the agenda, the  
23 wages motion, and turn to the assumption of rejection  
24 procedures motion.

25                   THE COURT: Sure. I think that was uncontested,

1       wasn't it?

2                   MS. HOCKBERGER: That's right.

3                   THE COURT: Does anybody else want to be heard on  
4       the Assumption Rejection Motion? I've reviewed them all and  
5       I just -- there were no objections to this. Let me see  
6       whether anybody else wants to be heard.

7                   CLERK: Someone's raising their hand, judge.

8                   THE COURT: Mr. Bralver excuse me, Mr. Bralver. I  
9       can't hear you, you must be muted. You're muted, Mr.  
10      Bralver. You're still muted.

11                  MR. BRALVER: Can you hear me now?

12                  THE COURT: Now I can hear you. Go ahead.

13                  MR. BRALVER: Very good. Your Honor, I want to  
14       ask you one question. Is CEO, in the shareholders and the  
15       stakeholders, the people who are at the top, like Mashinksy  
16       and Goldstein, are they still getting paid while we have our  
17       accounts frozen? And can I make a request that their  
18       payment be stopped.

19                  THE COURT: Mr. Bralver, we're on to specific  
20       motions. I'm not getting diverted from it. If you have any  
21       objections to this specific motion, I'll give you an  
22       opportunity.

23                  MR. BRALVER: My objection is that --

24                  THE COURT: Mr. Bralver?

25                  MR. BRALVER: Yes?

1                   THE COURT: I only want to hear specific  
2 objections to the specific motion that we're discussing now.  
3 Do you have objections to the specific motion that we're  
4 discussing now? Do you have objections to that specific  
5 motion?

6                   MR. BRALVER: I regress. I will regretfully stand  
7 back. Sorry, Your Honor, my respect to you.

8                   THE COURT: All right. Anybody else wish to be  
9 heard? All right, the Assumption Rejection Motion, which is  
10 filed as ECF Docket number 185, is granted.

11                  MS. HOCKBERGER: Thank you, Your Honor. Next item  
12 on the agenda is the Debtor's Case Management Procedures  
13 Motion, filed at Docket number 15. Again, there were no  
14 objections filed to this motion. So, unless Your Honor has  
15 any questions.

16                  THE COURT: Does anybody wish to be heard with  
17 respect to the Case Management Motion? Let me just make a  
18 comment generally. In other cases, in an early stage in the  
19 case, I've approved similar case management motions. But a  
20 case develops, it may be that amendments or changes are  
21 needed. So, the fact that I'm prepared to approve this  
22 motion, does not prevent me or parties raising an issue,  
23 whether any of the case management procedure (indiscernible)  
24 should be altered. Does anybody wish to be heard? There  
25 were no objections as to this one. Does anybody wish to be

1 heard on this motion? All right, it's granted a well.

2 MS. HOCKBERGER: Thank you, Your Honor. The next  
3 item on the agenda is the Debtor's Ordinary Course  
4 Professionals Motion, filed at Docket number 190. We filed  
5 a revised order last night, and no objections were filed.  
6 I'm happy to be answer any questions.

7 THE COURT: Ms. Cornell, your office, from time to  
8 time, this is something they look at carefully. Are you  
9 satisfied with this motion and the order?

10 MS. CORNELL: I'm sorry, Your Honor. Can you  
11 repeat that? My internet cut out. I apologize.

12 THE COURT: That's okay. My question was, your  
13 office often looks very closely at ordinary course  
14 professional motions. And I just wanted to be sure that you  
15 and your colleagues were satisfied with this proposed order.

16 MS. CORNELL: Yes, Your Honor. We discussed at  
17 length with counsel for the Debtors. Thank you.

18 THE COURT: Does the Committee want to be heard on  
19 this too?

20 MR. PESCE: Gregory Pesce for White & Case for the  
21 Committee. No, Your Honor. We don't have any comment on  
22 this one. We support it.

23 THE COURT: It's granted. Thank you very much.

24 MS. HOCKBERGER: Thank you, Your Honor. The next  
25 item on the agenda is the Debtor's Interim Compensation

1 Procedures Motion, filed at Docket number 186. We also  
2 filed a revised order for this one, and there were no  
3 objections filed.

4 THE COURT: Does anybody wish to be heard with  
5 respect to the Interim Compensation Motion, which is ECF  
6 186? All right, the motion is granted.

7 MS. HOCKBERGER: Thank you, Your Honor. Now for  
8 the balance of the agenda, I'd like to turn the podium to my  
9 colleague Alison Wirtz.

10 MS. WIRTZ: Good afternoon, Your Honor. For the  
11 record, Alison Wirtz from Kirkland & Ellis, proposed counsel  
12 for the Debtors. As Ms. Hockberger mentioned, I'll be  
13 taking us through the remaining items on the agenda. And  
14 we'll start slightly out of order, with item number 4, the  
15 Wages Motion.

16 The Wages Motion was filed at Docket number 19,  
17 and the interim order was entered at Docket number 61. As  
18 stated at the first day hearing, we did not seek to pay non-  
19 insider severance, non-insider ad hoc bonuses or continue  
20 the equity incentive plan on an interim basis. But we  
21 initially sought relief to do so on a final basis.

22 In their response to this request, the US Trustee  
23 and the Committee both filed objections highlighting these  
24 three programs. These are located at Docket number 413 and  
25 402, respectively.

1                   Following further discussions with both parties,  
2                   the Debtors provided additional diligence, and after  
3                   negotiation, agreed not to continue the ad hoc bonus program  
4                   or the equity incentive program. The Debtors also agreed to  
5                   pay prepetition severance allegations, only out to the  
6                   statutory cap that's set for in 507(A) (4) of the Bankruptcy  
7                   Code.

8                   Given additional discussions with the US Trustee  
9                   as early as last night, we propose to adjourn the narrow  
10                  issue of prepetition severance to the September 1 hearing.  
11                  And proposed to move forward with the rest of the relief  
12                  we're seeking on a final basis today. Accordingly -- you  
13                  know, in sum, we believe this is the most efficient  
14                  resolution for the narrow outstanding issues related to the  
15                  prepetition severance. And we plan to file additional  
16                  evidentiary support for doing so.

17                  In the meantime, though, we filed a revised  
18                  proposed order at Docket number 473, and we did so early  
19                  this morning, Your Honor. So, I would be happy to walk  
20                  through any of the changes that we made. Otherwise, I will  
21                  let the other parties speak at the time.

22                  THE COURT: Let me hear -- the Committee filed an  
23                  objection, which is at ECF 402. Let me hear from the  
24                  Committee first.

25                  MR. PESCE: Sure. Gregory Pesce for White & Case

1 on behalf of the Committee.

2 We did file an objection to this particular  
3 motion. Our concern was largely focused on the bonus  
4 programs, the cash bonus program, and then the stock bonus  
5 program. Those were both removed. And in terms of  
6 severance, we had some additional diligence information that  
7 we've requested. My understanding -- we've reached an  
8 accommodation on making sure severance payments don't exceed  
9 the stator cap, which was sort of sleeves off our vest,  
10 because that would mean our constituency couldn't get a  
11 recovery anyway until those were paid.

12 Our understanding is it says no payments over the  
13 cap. And then, as to the remainder, that's being deferred to  
14 September 1, with the United States Trustee. But, as  
15 presented today, on the other points, we support approval of  
16 this motion.

17 THE COURT: Thank you, Mr. Pesce. Ms. Cornell?

18 MS. CORNELL: Shara Cornell on behalf of the  
19 Office of the United States Trustee. That is correct, Your  
20 Honor. And we appreciate the Debtor's willingness to sever  
21 those remaining issues, that we can move forward. Thank  
22 you.

23 THE COURT: All right, the motion is granted with  
24 the changes that have been (indiscernible).

25 MS. WIRTZ: Thank you, Your Honor. And with that,

1 I'll take us through the remaining items on the agenda, all  
2 of which are uncontested. So, I will try and move quickly.

3 The next item up on the agenda is Item number 4 of  
4 the uncontested motions, the Critical Vendors Motion; which  
5 was originally filed at Docket number 20, and --

6 THE COURT: Actually, Item number 5 on the agenda,  
7 on the revised agenda.

8 MS. WIRTZ: Yes. Apologies.

9 THE COURT: Go ahead.

10 MS. WIRTZ: So, by this motion, we're seeking a  
11 total of \$6.52 million in aggregate on a final basis.  
12 Following the appointment of the Committee, we've worked  
13 with the advisors to provide additional diligence and bring  
14 them up to speed on the various vendors.

15 AUTOMATED VOICE: Join the meeting.

16 MS. WIRTZ: We also have provided significant  
17 diligence to the US Trustee as well. And going forward, we  
18 plan to engage with both parties and have taken their input  
19 on a revised proposed order; which was filed at Docket  
20 number 469.

21 As such, happy to walk through any of the  
22 particular changes that were made to the order. Otherwise,  
23 we respectfully request that the Court enter the order.

24 THE COURT: All right, let me turn to Mr. Pesce  
25 first. The Committee filed a limited objection.

1                   MR. PESCE: Likewise with our other resolutions  
2 here, we appreciate the Debtor working it out with us. We  
3 would request that the Court approve the motion today.

4                   THE COURT: All right. Does anybody else want to  
5 be heard on this? No one else filed any objections. All  
6 right, it's granted.

7                   MS. WIRTZ: Thank you, Your Honor. I will next  
8 take us to the Insurance Motion, which was filed at Docket  
9 number 16, and the interim insurance order that was filed at  
10 Docket number 59. We're seeking entry of a final order  
11 requesting authority to pay any and all obligations that may  
12 arise under the Debtor's insurance policies and surety bond  
13 program in the ordinary course.

14                  Unless Your Honor has any questions, or would like  
15 me to walk through any of the changes on the order, we would  
16 respectfully request entry of this final insurance order.

17                  THE COURT: All right. No responses were filed on  
18 this. Is there anybody wants to be heard? All right, it's  
19 granted.

20                  MS. WIRTZ: Thank you, Your Honor. The next item  
21 on the agenda is the NOL Motion, which was filed at Docket  
22 number 5, and an interim order was filed at Docket number  
23 58. We filed a revised proposed final order at Docket  
24 number 463. Following the first day hearing, we had  
25 received some comments from the Committee, as well as the US

1 Trustee, regarding a final NOL order, and have worked  
2 through those comments.

3 So, unless Your Honor has any questions, or would  
4 like me to walk through the changes to the order, we would  
5 respectfully request entry of the final NOL order?

6 THE COURT: Does anybody else which to be heard?  
7 It's granted.

8 MS. WIRTZ: Thank you, Your Honor. The next item  
9 on the agenda is the Taxes Motion, which was filed at Docket  
10 number 17. The taxes interim order was filed at Docket  
11 number 62. Again, we received some informal comments from  
12 the Committee and the IRS, and were able to incorporate  
13 language into the revised proposed order that we filed at  
14 Docket number 466. Unless Your Honor has any questions, we  
15 respectfully request entry of this order.

16 THE COURT: Does anybody else wish to be heard?  
17 It's granted as well.

18 MS. WIRTZ: Thank you, Your Honor. And finally,  
19 the last item on the agenda is the Utilities Motion, which  
20 was filed at Docket number 3. By this motion, we're seeking  
21 authority to provide adequate assurance to certain utility  
22 providers and segregate, deposit approximately \$20,508 into  
23 an account for the benefit of the utility providers. This  
24 also sets forth certain procedures for providing adequate  
25 assurance.

1           Following the appointment of the committee, we  
2    discussed and negotiated certain additional language in this  
3    order as well. And unless Your Honor has any questions, we  
4    would respectfully request entry of this order.

5           THE COURT: Does anybody else wish to be heard?

6           MS. CORNELL: Your Honor, Shara Cornell on behalf  
7    of the Office of the United States Trustee, if I may.

8           THE COURT: Please.

9           MS. CORNELL: Thank you, Your Honor. We don't  
10   have an objection to the motion itself. But I wanted to  
11   note some confusion for the record.

12           We still have questions regarding the Debtor's  
13   determination of what is a utility. It's our understanding  
14   that it costs millions to run a mining rig. And so, there's  
15   a lot of questions about how those types of utilities are  
16   being paid. The motion itself only references \$15,000 in  
17   utilities. And obviously --

18           THE COURT: I must say, I was surprised by the  
19   amount of electricity that has to be used to run the mining  
20   operation.

21           MS. CORNELL: So, there's a lot of questions about  
22   that. We think ... we were told there's some type of third-  
23   party payment, but we don't have full visibility into what  
24   that program is or what those costs are.

25           THE COURT: Your Honor, the one thing I could tell

1 you, Ms. Cornell, is I've had utilities scream bloody murder  
2 when they thought they haven't been getting enough. And if  
3 they were served with notice -- and they have filed anything  
4 -- but I'll ask Ms. Wirtz if she could briefly address this  
5 issue.

6 MS. CORNELL: Thank you.

7 THE COURT: They've got to be spending a lot of  
8 money on electricity.

9 MS. WIRTZ: Certainly, Your Honor, happy to  
10 discuss this further. So, as Ms. Cornell noted, seeking to  
11 provide adequate assurance to the list of utilities that the  
12 Debtors are in direct privity of contract with. And these  
13 tend to be more of the telecommunications side of the house.  
14 In terms of the Debtor's regular way office space, many of  
15 the utilities are provided for in the overall lease that the  
16 Debtor signed. So, the obligation to pay electricity, to  
17 run the lights in, for instance Las Vegas or Hoboken --

18 THE COURT: I don't think Ms. Cornell was  
19 concerned about turning the lights on in the office.

20 MS. WIRTZ: Okay. Understand. Moving on, so,  
21 currently, and as has been previewed, we are in the process  
22 of finalizing construction of the mining center. The  
23 Debtors have entered into a contract with Constellation  
24 Energy, to provide electricity for the mining center. And  
25 we have listed them as a utility provider on the utilities

1 schedule.

2 They have not, historically, provided a great deal  
3 of utility expense, so we didn't have a ton of information  
4 available at the time of the filing to put, you know, a  
5 particular adequate assurance deposit down. However, we do  
6 have the procedures, and to the extent that they reach out  
7 to us, we will continue to negotiate that.

8 In respect of the other current mining, operation  
9 of the mining rig, we have engaged with a number of third-  
10 party host providers, including EZ Blockchain,  
11 (indiscernible) and Core Scientific. And under these  
12 contracts with these counterparties, there is a provision  
13 for electrical --

14 AUTOMATED VOICE: Join the meeting.

15 MS. WIRTZ: -- (indiscernible) into the overall  
16 contract. And so, these contracts are typically prepaid  
17 monthly. And then, to the extent that the forecasted  
18 electricity usage goes over or under, based on, you know,  
19 the price and the amount of use throughout the month, then  
20 there's a provision in the contract that allows for the  
21 Debtors to either receive a slight credit, or to pay a  
22 little bit more at the end of the month. But these  
23 relationships are contractual with these third-party hosting  
24 providers, not direct utilities. And so, we didn't feel it  
25 appropriate to list any sort of third-party provider on the

1 schedule of utilities, since we don't feel that those types  
2 of entities should be given -- are what Congress was  
3 intending when they drafted Section 366 of the Bankruptcy  
4 Code.

5 THE COURT: Well, we'll see (indiscernible) come  
6 in screaming. The motion is granted.

7 MS. WIRTZ: Excellent. Thank you, Your Honor.  
8 And with that, that concludes our agenda for the day.  
9 Again, we would like to thank you, your staff and everyone  
10 else for the time. We look forward to seeing you all again  
11 for the September 1 hearing, and look forward to further  
12 engagement with the US Trustee, the Committee, and all  
13 stakeholders.

14 THE COURT: Thank you very much.

15 MS. WIRTZ: And I was going to say, Mr. Sussberg,  
16 from our New York office, is standing up, so I'll cede the  
17 virtual podium back to him.

18 THE COURT: Go ahead, Mr. Sussberg.

19 MR. SUSSBERG: I got nothing. All set, Your  
20 Honor. Thank you for the time today. Appreciate it.

21 THE COURT: One Ryan Reck, who's raised his hand.  
22 I will briefly recognize him.

23 MR. RECK: Thank you, Your Honor. My name is Ryan  
24 Reck. I am an investor, or depositor, with Celsius Network,  
25 and I do have my funds in the Earn Account. I have one

1 question and I have one comment.

2 My question is, when Celsius filed for chapter 11,  
3 is their debt locked in USD terms, including the prices of  
4 the assets when they filed for chapter 11?

5 THE COURT: I'm not sure I completely understand.  
6 I mean, they have to file schedules with their assets and  
7 liabilities and --

8 MR. RECK: Yes. Are those debts locked in?

9 THE COURT: I don't know what you mean about  
10 locked in. But Mr. Sussberg, maybe you can tell me, how are  
11 assets and liabilities valued, really, the assets, valued  
12 for the schedule, purposes of schedules. I guess you  
13 haven't filed your schedules yet.

14 MR. SUSSBERG: Yeah, we haven't filed the  
15 schedules yet, and I think Mr. Reck is hitting on an  
16 important question, that there are lots of perspectives on  
17 around the table. What I would suggest is, we're working on  
18 our schedules and statements. I think that will provide a  
19 lot of information for folks, including the Committee  
20 Trustee and all our relevant stakeholders. And as we get  
21 those on file, people will digest them and then it will  
22 center around conversations about claims, when they're  
23 calculated, and who's the beneficiary. So, more to come on  
24 that.

25 THE COURT: All right, thank you.

1                   MR. RECK: Okay, thank you. And I do have one  
2 comment, if you don't mind.

3                   THE COURT: Please.

4                   MR. RECK: So, my comment is, looking at Celsius  
5 Network's balance sheet from the date of filing, obviously,  
6 my previous question couldn't be answered exactly. But that  
7 was on July 13. They had liabilities of approximately 5.5  
8 billion. And due to the crypto market rebound, it appears  
9 that their current assets sit at approximately 4.8 billion.  
10 And it's actually more if we include the company's own sell  
11 token, which I'm kind of not including right now.

12                  But with this said, I'd like the Court Trustee and  
13 Committee to consider, or at least look into, a chapter 11  
14 liquidation, in USD, for three reasons. First reason is  
15 Celsius Network does not have the necessary income to run  
16 business operations normally without acquiring additional  
17 debt. I believe that Celsius Network needs to acquire  
18 additional debt to run their general business operations.  
19 This is, in fact, the telltale that they're using customers'  
20 funds to pay out their interest rewards and, hence, running  
21 an alleged Ponzi scheme.

22                  I completely understand now that their customers  
23 were financing their business operations instead of the  
24 profitability of Celsius Network, allowing them to secure  
25 their own financing and grow their business naturally.

1                   The second reason is the majority of creditors  
2                   want to be reimbursed in kind crypto, which I completely  
3                   understand; meaning that if they loaned bitcoin or Ethereum  
4                   to Celsius, that they would be reimbursed bitcoin or  
5                   Ethereum or other tokens, back. My issue with this one, is  
6                   that there are gas fees involved in paying back creditors in  
7                   kind, and believe the expense of doing this will also  
8                   minimize the recovery and the request -- the recovery. And  
9                   I request the Committee to use their resources to calculate  
10                  and submit the gas fees with any plans proposed.

11                  And my final reason -- go ahead, sorry sir.

12                  THE COURT: Please, go ahead.

13                  MR. RECK: Okay. And my final reason is, the  
14                  majority of customers, I believe, will withdraw their funds  
15                  when withdrawals are restored. Considering the bulk of  
16                  their customers will withdraw, and the negative cash flow  
17                  business model that they're proposing at the moment, it's  
18                  hard to understand how Celsius Network will survive and  
19                  thrive.

20                  Thank you, Your Honor for your time, and all  
21                  parties listening.

22                  THE COURT: Thank you, Mr. Reck. Mr. Bralver,  
23                  I'll very briefly recognize you.

24                  MR. BRALVER: Your Honor, apologies for speaking  
25                  at the wrong time earlier. I am sorry. I am not a lawyer.

1 And I chimed in at the wrong moment. What I was trying to  
2 ask was; recently, I read that the board holders are still  
3 getting paid and they're getting paid exorbitant amounts of  
4 money, while us accountholders have our moneys frozen. And  
5 I wanted to bring that to your attention and ask if that's  
6 fair, and also if that is in the best interests of  
7 everybody, while you're trying to solve how to save this  
8 business and get everybody repaid? I believe Mr. Mashinsky  
9 and his board members were getting paid \$4 million alone in  
10 the week after the freeze happened in July. I have nothing  
11 else to say, but I wanted to ask if you were aware of that,  
12 and what would be the appropriate action if they are still  
13 getting paid. Thank you.

14 THE COURT: Mr. Bralver, I'm sure the Committee is  
15 looking at issues such as that, but there's nothing on the  
16 agenda today for me to deal with. Mr. Lin, do you wish to  
17 be heard?

18 MR. LIN: Yes, thank you, Your Honor. I'll try to  
19 make this really quick. It's a question aimed at attorney  
20 Pesce's earlier statements and the Creditor Committee's plan  
21 to track down and return crypto. My concern is that  
22 unaccredited earn depositors who chose to withdraw during  
23 the 90 days preceding filing, could face potential claw  
24 backs, either via USD value or any kind of crypto. I'm  
25 talking about non-insiders, non-institutional depositors.

1 So, I'd like to know if this is a direction that the UCC is  
2 taking.

3 THE COURT: I think, if I could, Mr. Lin, you  
4 ought to communicate directly with the UCC rather than  
5 during a hearing. Okay? I'm not -- you certainly can raise  
6 the issue, but that, you've got to raise it with the  
7 Committee. Okay?

8 MR. LIN: Okay, thank you.

9 THE COURT: Your hand is still raised, you've  
10 already spoken. I don't know whether you -- is there  
11 something else you wanted to say?

12 MR. LIN: No, that was it, thank you.

13 THE COURT: Okay, all right. Okay, Mr. Sussberg,  
14 anything else for today? You're muted.

15 MR. SUSSBERG: No, Your Honor. We are all set.  
16 Really appreciate the Court's time. Thank you.

17 THE COURT: We'll see you on September 1.

18 MR. SUSSBERG: Yes, sir.

19 THE COURT: Okay. We are adjourned. Thank you  
20 very much, everybody.

21

22

23 (Whereupon these proceedings were concluded at  
24 4:16 PM)

25

## I N D E X

## RULINGS

		Page	Line
4			
5			
6	Consensual Cash Collateral Order Granted	77	24
7	Bitcoin Sale Motion		
8			
9	Motion as Revised Granted	91	20
10			
11	Assumption Rejection Motion Granted	99	11
12			
13	Case Management Motion Granted	100	2
14			
15	Ordinary Course Motion Granted	100	24
16			
17	Interim Compensation Motion Granted	101	7
18			
19	Wages Motion Granted	103	24
20			
21	Critical Vendors Motion Granted	105	7
22			
23	Insurance Motion Granted	105	20
24			
25	NOL Motion Granted	106	8



1 C E R T I F I C A T I O N

2

3 I, Sonya Ledanski Hyde, certified that the foregoing  
4 transcript is a true and accurate record of the proceedings.

5

6

*Sonya M. Ledanski Hyde*

7

8 Sonya Ledanski Hyde

9

10

11

12

13

14

15

16

17

18

19

20 Veritext Legal Solutions

21 330 Old Country Road

22 Suite 300

23 Mineola, NY 11501

24

25 Date: August 18, 2022